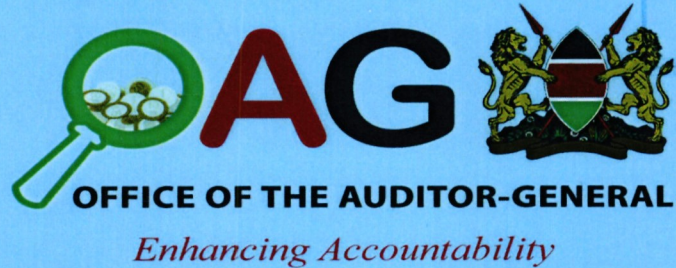


REPUBLIC OF KENYA

PARLIAMENT
OF KENYA
LIBRARY



REPORT

OF

THE AUDITOR-GENERAL

ON

POSTAL CORPORATION OF KENYA

**FOR THE YEAR ENDED
30 JUNE, 2021**





POSTAL CORPORATION OF KENYA

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2021

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



Table of Contents	Page
I. KEY PCK INFORMATION.....	iv
II. THE BOARD OF DIRECTORS.....	viii
III. MANAGEMENT TEAM.....	xii
IV. CHAIRMAN'S STATEMENT.....	xv
V. REPORT OF THE POSTMASTER GENERAL.....	xvii
VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021.....	xix
VII. CORPORATE GOVERNANCE STATEMENT.....	xxiv
VIII. MANAGEMENT DISCUSSION AND ANALYSIS.....	xxix
IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING.....	xxxix
X. REPORT OF THE DIRECTORS.....	xli
XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	xlii
XII. REPORT OF THE INDEPENDENT AUDITORS ON POSTAL CORPORATION OF KENYA.....	xliv
XIII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021.....	1
XIV. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021.....	2
XV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021.....	3
XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021.....	4
XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2021.....	5
XVIII. NOTES TO THE FINANCIAL STATEMENTS.....	6
APPENDICES.....	42
APPENDIX II: PROGRESS ON FOLLOW UP OF AUDITORS RECOMMENDATIONS.....	42
APPENDIX III: INTER-ENTITY TRANSFERS.....	43

I.KEY PCK INFORMATION

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 may be assigned to it.

Principal Activities

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

Directors

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

Mr. Daniel Kagwe	-Chief Executive Officer/Postmaster General appointed on 10 th March 2020
Mr. Nani Mungai	-Chairman Appointed on 7 th August, 2020
Mr. Munyua Waiyaki	-Appointed on 3 rd May 2019
Mrs Jennifer A.Oywer	-Appointed on 6 th May 2019
Mrs. Freda G.Kimathi	-Appointed on 3 rd May 2019
Mr. Eric K.Bett	-Appointed on 18 th October, 2019
Mrs. Esther Sagini Ongoto	-Appointed on 18th October, 2019

Principal Secretary Ministry of Information, Communication and Technology

Alternate Director: Mr. Paul G.Macharia

Principal Secretary, National treasury

Alternate Director: Ms. Elizabeth Shungula

Inspectorate of State Corporations

Alternate Director: Mr. George Ombua

Corporate Secretary

Mr Julius Opini
P.O. Box 34567 - 00100
Nairobi
Kenya

Registered Office

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

Corporate Contacts

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

Corporate Bankers

1. Kenya Commercial Bank
Moi Avenue
P.O. Box 30081
GPO-00100
Nairobi, Kenya
2. Commercial Bank of Africa
P.O. Box 30437
GPO- 00100
Nairobi
Kenya
3. Barclays Bank of Kenya
P.O Box 30120-00100
Nairobi
Kenya
4. Cooperative Bank
Co-operative House,
P.O. Box 48231 - 00100, Nairobi Kenya

**Postal Corporation of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2021**

Independent Auditors

Auditor General
The Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

Principal Legal Advisers

1. The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

2. Robson Harris & Co. Advocates
6th Floor, Transnational Plaza,
City Hall Way,
P.O. Box 67845-00200,
City Square 00200
Nairobi, Kenya.

3. A.E. Kiprono & Associates
Utumishi Co-op Hse, 2nd floor,
Mamlaka rd.
P.O. Box 45442-00100
GPO 00100
Nairobi, Kenya

3. Ombati Ong'au & Co. Advocates
Josem Trust house, 3rd floor,
Masaba rd, off Bunyala rd, lower hill
P.O. Box 73299-00200
City Square 00200
Nairobi, Kenya.

4. Kipkenda & Company Advocates,
Off Riverside Drive
Behind 9 Riverside Building
P.O. Box 56832 - 00200,
City Square 00200
Nairobi, Kenya.

**Postal Corporation of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2021**

Principal Legal Advisers *continues*

5. Githiru & Company Advocates,
3rd Floor, Gibcon House,
Kenyatta Avenue,
P.O. Box 12989 - 20100
Nakuru, Kenya.

6. B.O. Akong'o Advocates
Mache Plaza, 1st flr, rm. 6
Kijabe row, Nakuru
P.O Box 17025-20100
Nakuru, Kenya.

7. D.I. Muriuki & Co. Advocates
Commercial Centre Block C5
Ring Road Westlands
P.O Box 69930 – 00400
Tom Mboya 00400
Nairobi, Kenya.

8. Keengwe & Co. Advocates
Luther Plaza, 1st flr, right wing, off Nyerere rd.
Uhuru highway
P.O Box 55457-00200
City Square 00200
Nairobi, Kenya.

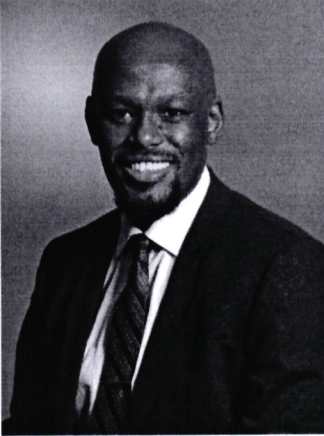

9. KM&P –K Mberia & partners
Laxcon House, (next to stima plaza) 7th flr, penthouse;
Limuru rd, parklands –
P.O Box 45562-00100
GPO 00100
Nairobi, Kenya.

10. Lumatete Muchai & Co. Advocates.
Agip house 3rd flr,
Entrance A, Haile Selassie Avenue
P.O Box 5750-00100
GPO 00100
Nairobi, Kenya.




11. Orende & Co. Advocates
Hazina Towers, 11th flr
Utalii Lane
P.O Box 105876-00101
Jamia 00101
Nairobi, Kenya.

**Postal Corporation of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2021**



I. THE BOARD OF DIRECTORS

S/N	Name	Experience
1.	 <p><u>Njoroge Nani Mungai</u> Chairman of the Board, Postal Corporation of Kenya Independent Board Member</p>	<p>Chairman of the Board, Postal Corporation of Kenya</p> <p>Mr. Njoroge Nani Mungai joined the Postal Corporation of Kenya Board on 7th August, 2020 to 12th December, 2021. Mr. Nani has a wealth of experience specializing in projects, mergers and capital market for over 30 years. He holds a Bachelor’s Degree (Honours) in Law from the University of Nairobi (1989 class) and a Post Graduate Diploma from the Kenya School of Law among many other certifications from within and without the country.</p> <p>He was a key advisor on the largest Initial Public Offer (IPO) in Eastern and Central Africa which entailed the sale of 25% of the Government of Kenya’s shareholding in The Safaricom PLC at the then Nairobi Stock Exchange (NSE) in 2003. He has acted for the Kenya Airports Authority and advised on the proposed airport concession of Jomo Kenyatta International Airport through a privately initiated investment proposal.</p> <p>Mr. Nani has also represented the owners and developers of electricity projects including wind, solar and geothermal projects in all aspects of conceptualisation and development of the projects. He also advised Geothermal Development Company (GDC) on the utilisation, operation and maintenance of GDC’s 59 geothermal wells situated in the Olkaria basin with a production capacity of about 280 MW.</p> <p>Mr. Nani has in the past been recognised by Chambers & Partners as a leading lawyer in corporate-commercial and is currently a Senior Partner at the MMC Africa Law. He is also a Board member at the Industrial and Commercial Development Corporation by the virtue of being the Chairman of PCK Board among others. He is the immediate past Chairman of the ICT Authority Board from December 2018 to August 2020.</p>
2.	 <p>Mr. Munyua Waiyaki – Director Independent Board Member</p>	<p>He holds a BSc in IBA (Accounting & Finance) from United States International University. Munyua is an entrepreneur and has a extensive background in business development, innovation and change management. He has travelled by invitation, to high profile Business Process Outsourcing Units in Mumbai, New Delhi and Bangalore for the purpose of replicating and transferring the knowledge he has received to assist young Kenyans. He has also developed and implemented strategic plans by collaborating with going concerns in Eastern Europe and the Middle East. Munyua has been engaged in private business for the last 30 years.</p>

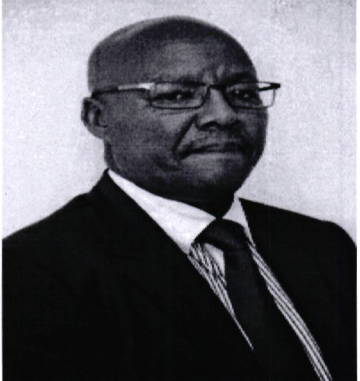

**Postal Corporation of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2021**

<p>3.</p>		<p>Ms. Oywer Jennifer Adhiambo works for the Nairobi City County at the Inoculation Centre currently managing the International Vaccination Centre. She holds a Bachelors Degree of Science in Nursing from the American World University. She has also attended many short courses in Medicine Management Training, Family Training, Interpersonal Management, and Vaccine Management among others.</p>
<p>4.</p>		<p>Ms. Freda Nyambura Gachie is the Managing Director and Founding Partner of Card Group East Africa Ltd. She holds a Bachelor’s Degree in Business Commerce from Kamala Nehru College of The University of Delhi. She also has an Advanced Diploma in French. Ms. Gachie has extensive expertise in Administration, Management, Leadership and Strategy. She was previously the Country manager, Direct Marketing Communications (<i>now Exp. Momentum</i>) for Cameroon & Gabon. During her tenure at Direct Marketing Communications, she successfully launched country offices in over 14 countries. She has formulated and implemented strategies for Draft Worldwide – A Division of Scanad! PR. Ms. Freda Nyambura Gachie formulated strategies to create an analysis profit system for Kamyn Industries Ltd (IPS K. Ltd.) and formed a strategic partnership to implement and sell socks from the factory, the BATA revolution.</p>
<p>5.</p>		<p>Ms. Elizabeth Shungula is a Senior Accountant and Economist working with The National Treasury. She holds a Bachelor of Commerce, Accounting option from Daystar University and an MBA in Finance from Kenya Methodist University. She is also a qualified CPA (K) holder and a member of ICPAK. Ms. Elizabeth Shungula is currently the alternate Director, Postal Corporation of Kenya Board, representing the Principal Secretary, The National Treasury.</p>

**Postal Corporation of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2021**





<p>6.</p>	 <p>Mr. Eric Kipkemei Bett Director Independent Board Member</p>	<p>Mr. Eric Kipkemei Bett is a Business man and was previously a Director at the Kerio Valley Development Authority (KVDA) from 2013 to 2019. He has also served in the initial Board of the Postal Corporation of Kenya from 1999 – 2002 after the split from the Kenya Posts & Telecommunications Corporation. Mr. Bett has also worked in the Office of the President, The Directorate of Personnel and Management (DPM) among other duties in the National Government for over two decades in various capacities.</p>
<p>7.</p>	 <p>Ms. Esther Ongoto Sagini Director Independent Board Member</p>	<p>Ms. Esther Ongoto Sagini is affiliated with the Ongoto & Co. Advocates and she is a small-scale farmer in Molo and Naivasha. She holds a Bachelor of Arts Degree from the University of Eastern Africa. She is also qualified in Public Relations and Administration Management with expertise from Government Corporations over the years.</p>
<p>8.</p>	 <p>Mr. Paul Gichuki Macharia Director Independent Board Member</p>	<p>Mr. Paul Gichuki Macharia is the Ag. Chief Economist, Ministry of Information, Communications, Technology, Innovations & Youth Affairs. He holds a Bachelor of Arts Degree in Economics from the University of Nairobi (1992 class) and a Masters of Arts in Economics from Indira Gandhi National Open University in India (2019).</p> <p>Mr. Macharia has previously worked as an Economist in various Ministries’ including Transport & Communications, Tourism, Information & Communications and The National Treasury among others since 1996. He has also attended various Management and Leadership Certification programmes both within and without the country for the last 15 years. He was also a member of the Joint Secretary, Task force on Rationalization of Postal Corporation of Kenya August 2016 –March 2017. He represents the Principal Secretary, State Department of Broadcasting & Telecommunications, Ministry of Information, Communications, Technology, Innovations & Youth Affairs as an alternate Director of the PCK Board.</p>

**Postal Corporation of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2021**






<p>9.</p>	 <p>Mr. Dan Kagwe CEO & Postmaster General</p>	<p>Mr. Dan Kagwe has worked extensively in the private sector including the financial, courier and logistics industry in Kenya and the wider East African region for over thirty years specifically holding senior level capacities at Fedex, Henkel Kenya and Diners Club International. He is the holder of a Bachelor of Arts in Economics & Business Administration along with a Diploma in Marketing. He is an associate member of the Kenya Institute of Management and Marketing Society of Kenya, as an avid golfer he formerly served as the Chairman of Kampala Golf club among others.</p>
<p>10</p>	 <p>Julius Opini- Corporation Secretary</p>	<p>Julius Opini- Corporation Secretary</p> <p>He holds Bachelors of Law, Bachelors in Economics and Postgraduate diploma in Law</p> <p>He is an advocate of the High Court of Kenya and Certified Public Secretary. He holds Master of Laws degree, a Bachelor of Laws degree and a Bachelor of Arts degree respectively. He also holds other professional qualifications which include a Diploma in Law from Kenya School of Law among others.</p> <p>He has wide experience gained over a period of about twenty-five years as a legal practitioner in both private and public sectors. He joined the Corporation in February 2017. He previously worked as the County Attorney for Kisii County between February 2014 and January 2017 and as a legal practitioner in private legal practice for several years. He is a member of ICS</p>

**Postal Corporation of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2021**





II. EXECUTIVE MANAGEMENT TEAM

Ref	Management	Details
	 <p>Mr. Dan Kagwe Bachelor of Arts in Economics & Business Administration Diploma in Marketing</p>	<p>CEO & Postmaster General</p>
	 <p>Julius Opini Masters of Law, Bachelors of Law, Bachelors Arts (Economics) Postgraduate diploma in Law</p>	<p>Corporation Secretary</p>
	 <p>E. Mwaura – MBA , BSC in FSM, Diploma Institutional Management.</p>	<p>GM / Business Development.</p>
	 <p>Joan Toroitich Bachelor of Education</p>	<p>GM/ Operations</p>

**Postal Corporation of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2021**

	<p>Mr. Patrick Omulo MBA Bachelor's Degree in Procurement, Logistics and Supply Chain Management</p>	<p>Ag. GM /Courier Services</p>
	<p>J.K Tonui - MBA, Bachelor of Arts, Diploma in HRM</p>	<p>GM/ Human Resource Development & Administration</p>
	<p>P.N. Gichuki Bachelor of Arts</p>	<p>Manager Corporate Communications & Public Affairs.</p>
	<p>M Masinde – MSC in Strategic Management, BBM -Supply Chain</p>	<p>Manager Supply Chain Management</p>
	<p>David Fundia MBA Strategic Mgt CPA(K)</p>	<p>AGM /Audit and Risk management</p>

**Postal Corporation of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2021**

	 <p>Milka Mugwe Masters In Public Admin, Bachelor of Public Admin & Communication</p>		GM/ Mails
	 <p>James Kahonge MSc in Business with IT, BCom Marketing</p>		GM/Payments & ICT
	 <p>Alex Lumadede Bachelor of Arts In Military Science</p>		AGM /Security & Investigation
	 <p>Peter Korir Exec. MBA CPA(K)</p>		GM/Finance

III. CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am honored to present to you the Annual Report and Financial Statements of the Postal Corporation of Kenya (PCK) for the financial year ended 30th June, 2021. Though the reported performance is in deficit, the Corporation through the measures put in place to return it to profitability registered an improved performance compared to financial year 2019/2020 and was able to meet its mandate to Kenyans.

Operating Environment

Kenya Economic Performance Real Gross Domestic Product (GDP) is estimated to have contracted by 0.3 per cent in 2020 compared to a growth of 5.0 per cent in 2019. The contraction was spread across all sectors of the economy but was more dismal in accommodation and food serving activities, education, professional and administrative service activities. Agriculture, Forestry and Fishing activities were however more vibrant in 2020 despite a contraction in global demand in 2020. The sector grew by 4.6 per cent in 2020 compared to 2.3 per cent growth in 2019. Manufacturing sector growth slowed down from 2.8 per cent in 2019 to 0.2 per cent in 2020. Despite most sectors recording contraction in growths, the economy was somewhat supported by accelerated growths in agricultural production (4.8 per cent), construction activities (11.8 per cent), financial and insurance activities (5.6 per cent) and health services activities (6.7 per cent). In the review period, monetary policy was premised on the need to cushion the economy from the adverse effects of the COVID-19 pandemic containment measures, supporting liquidity and credit access growths, the economy was supported by accelerated growths in Financial and Insurance (6.6 per cent) and Real Estate activities (5.3 per cent).

Kenya Economic Review 2021

Performance

In the financial year 2020/2021, the Corporation recorded a net deficit of Kshs.35 million compared to Kshs. 1.243 billion deficit in the previous period which is an improved position. The improvement was attributed to increase in revenue in 2020/2021 due to the gradual opening up of economy after COVID -19 disruptions. In addition, measures taken to slow down the rate of infection, including vaccinations, opening of travel restrictions and schools, led to improved courier business.

Major gains were registered in expenditure reduction through various cost cutting measures, prudent financial management, dedicated staff and effective guidance from the Board of Directors.

Future Outlook

Postal Corporation of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2021

Going forward, the Corporation will remain focused on strategies that will enable it achieve its core mandate. The Corporation's priority areas will include: human capital development, customer service excellence, internal business processes and revenue growth. The Corporation will capitalize on its vast network, good customer relationships and partnerships to provide quality and innovative products and services for more effective public service delivery.

Appreciation

May I start by thanking our customers; you are the reason for our existence. Since we are aware of this, we shall continue to strive for excellence in services we offer to you. Next, is our shareholder, the Government of Kenya (GOK), we are grateful for the support and opportunities given to the Board and Management which has enabled PCK to meet its mandate to Kenyans. In conclusion, let me express my heartfelt appreciation to all the Directors for their commitment to the Corporation throughout the year, being dynamic and interested and whose work through the various Committees was instrumental in achieving PCK's Vision and Mission. May I also express the Board's gratitude to the dedicated Management and staff of the Corporation as a whole for their commitment in serving our customers.



Chairperson

24th September 2021

IV. REPORT OF THE POSTMASTER GENERAL

It gives me great honor and pleasure to present to you the Postal Corporation of Kenya Annual Report and Financial Statements for the year ended 30th June, 2021

The COVID-19 global pandemic impacted negatively on the Kenyan economy. Measures taken to slow down the rate of infection, including home confinement, travel restrictions and the closure of schools affected both production and consumption goods and services across the economy, PCK was equally affected. Though the pandemic affected our performance during year, measures taken in 2021 to slow down the rate of infection, including vaccination, easing of confinement and travel restrictions and opening of schools, led to improved mail, parcels and general postal business. Despite all, the Corporation was able to meet its mandate to Kenyan citizens.

Below are some of the highlights of the key performance indicators that capture the year under review:

Financial Performance

The Corporation posted a deficit of Kshs 35 million for the financial year ended 30th June 2021 compared to Kshs 1.243billion deficit achieved in the Financial Year 2019/2020.

Operational Revenue

Operating revenue increased to Kshs 2. 409 billion in the year under review from Kshs 2.278 billion recorded in FY 2019/20 being a 5% increase. In the year under review, we received a government grant of Kshs.810 million.

Operating Expenditure

Whereas the Corporation operated within the budgeted expenditure during the year, total operating expenditure decreased by 7.3% to Kshs 3. 255 billion compared to the previous year's Kshs 3.521 billion. The decrease in the operating expenditure is as a result of reduced staff, operational and administration costs.

Postal Corporation of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2021

The Corporation is gearing up to realize its vision of becoming the leading provider of innovative Postal and related services. Our commitment to touch people's lives through efficient provision of quality services remains strong, we are confident that we shall continue creating value to our shareholders.

Appreciation

On behalf of the Management, I wish to extend our gratitude to the Board of Directors for their guidance and support throughout the year and members of staff for their commitment in serving our customers.



Postmaster General

September 2021

**V. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR
FY 2020/2021**

PCK has 4 themes/ objectives within the current Strategic Plan for the FY 2019/2022. These strategic pillars/ themes/ issues are as follows:

1. Human capital development
2. Customer service excellence
3. Internal business processes
4. Internal business growth

PCK develops its annual work plans based on the above four (4) pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The corporation achieved its performance targets set for the FY 2020/2021 period for its four strategic pillars, as indicated in the diagram below:

REVISED CSP 2019 to 2021/22 : MASTER WORK PLAN / M & E FOR Q3- 2020/21 TO 2021/22					
Strategic Pillar/ objective & Strategies	Milestones	Activities	KPI	Responsibility/ Timeline	Achievements
Objective 1. Human Capital Development: 1.1. Align competencies to over 90% coverage by 2022	1.1.1. Skills audit	1.1.1.1. Identify skills gaps / Address gaps through: training/ deployment 1.1.2.1. Undertake job analysis and deployment aligned to functional requirements: Review distribution levels for effective delivery: / Identify impact of other underlying issues on output: ailments, alcoholism, absenteeism, misconduct, vested interest.: counsel and seek HR support (ref: Gok PC guidelines) 1.1.3.1. Undertake Job Evaluation to	-Framework -Status Reports/ recommendations: placement/ training...	HR/ Mgt March 2021	Framework development on skills audit ongoing to be aligned to PCK's proposed Transformational strategy (Job evaluation & Restructuring)
	1.1.2. Job Evaluation		-Report on analysis/ distribution -Findings/ recommendations/ implementation. -Evaluation report/ No. recruited / deployed	Quarterly (Qtrly) reviews	
	1.1.3. Restructure				

**Postal Corporation of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2021**

		form the basis of PCK's restructuring / rationalization			
1.2. Strengthen performance management culture to achieve 100% strategy execution	1.2.1. Defined interdependencies (adopting respective responsibilities from activities listed herein among others)	1.2.1.2. Develop activity breakdown aligned to all departmental staffs' JDs.... % 1.2.1.3. Define the timeline further to weekly/ quarterly aligned to the M & E frequency...%	Departmental work plans: clearly defined roles within and to other departments -Quarterly reports	HR/ Mgt March 2021	Performance contracts signed with deviation from CSP observed. Evaluation ongoing
Objective 2. Improve Customer Experience (CX) 2.1. Review Service Charter		2.1.1. Develop CX framework/ Assess processes & procedures against industry practice on customer expectations / Develop & implement a Communication Plan/ Train staff	-Impact assessment report / training) ROI against budgets No. / impact	BD/ Operations / HR/ F & A	Partially addressed. - Customer complaints resolved Print // social media used / impact assessment pending
	2.1.2. Undertake market audits	2.1.3.1. identify and address product suitability/ implement recommendations	-Report		Not undertaken

**Postal Corporation of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2021**

2.2. Develop customer service (Cs) policy/ strategies	2.2.1. Identify areas pertaining to customer expectations 2.2.2. Increase First Contact Resolution (FCR) Rate by 100% 2.2.3. Undertake surveys undertaken (customer behaviours...).	2.2.2.1. Assess Customer & personnel Needs / Train (new processes, products/ complaint handling 2.2.3.1. Internal surveys (Customer & Employee related-ref. stds 2.2.2.1.) 2.2.3.2 Data collection , Review commonly raised complaints: (including internal lags/ delays);	-Assessment mechanism - Report -Training curriculum & programmes FCR reports against standards & reports (quarterly) Report/ impact	BD/ Operations /HR All HR/BD/ Operations	Policy not developed Queue system established. Impact assessment to be undertaken in 2021/22 Qrt 1
Objective 3. Improve processes & procedures 3.1. Review logistics solution	3.1.1. Improve effectiveness and efficiency levels in service delivery	3.1.1.1. Building fleet capacity / alternatives -Introduction of system related solutions (queuing, fleet management, data dashboard...)	Impact assessment report/ Efficiency levels (improved timelines at minimal resources/ input- increased capacity, ...)	RRI Team / BD/ Operations March 2021	Railway adopted for Mombasa route. Impact (cost/ efficiency) assessment not undertaken.
	3.1.2 Improve logistic (routing)	3.1.2.1. Increased fleet capacity by railway transport and Kenya Airways (Nairobi- Msa, Nanyuki...),	Status report Impact	2020 to March 2021	
	3.1.3. Post global / AX PostaPesa integration	3.1.3.1. PG/ AX integration and enable user visibility / Test / Go Live/ User adoption / reports		ICT/ Op / payments Q3	Integration finalized And ease of access to reports realized
3.2. Change PCK's Business expansion model concept	3.2.1. Operate 40 Licensed Post Offices (LPOs') 3.2.2. Conversion of Post Bus to improved fleet capacity	3.2.1.2. Agents/ container placements 3.2.2.1. Bus Conversion and impact: capacity, savings, and efficiency on cargo services against passenger.	No. / ROI	Operations / F & A/ Supply chain End 2021	17 LPO contracts signed Conversion delayed
Objective 4. Grow revenue by 3%	Projections				
	Actuals as at Mid-term	2019/20	2020/21	Jan- June 2021	2021/22

**Postal Corporation of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2021**

4.1. Mails	2.227Bn	66%	2.5 Bn	1.7 Bn	837M	1.957Bn	6.157Bn
4.2. Courier	799M	24%	1.05 Bn	1 Bn	401M	1.18Bn	3.15Bn
4.3. Payments	69.7M	2%	321M	60M	40M	42.8M	423.8M
4.4. Assets	266M	8%	290M	185M	70M	282M	757M
Total	3.36 Bn	100%	4.2 Bn	2.9 Bn	1.3 Bn	3.4 Bn	10.48 Bn
4.1. Grow Customer Retention Rate 95%	4.1.1. Develop retention program concepts (Internal & External)	4.1.1.1 Develop & implement Programmes (sales promotions/ visits...) 4.1.1.2. communication plan (sustainable)	-Impact report -Programmes & no. implementation Plan / ROI Report	Business / F& accts	BD/ Business		
4.2. Acquire 15 % new customers	4.2.1. Undertake product portfolio analysis 4.2.2. Market segmentation 4.2.3. Tap product/ service new opportunities	4.2.1.1. Undertake Portfolio Analysis / Review market segmentation (Product targeting / uniqueness) and positioning PCK 4.2.3.1.1. Regain lost customers and settle 3 rd party customers owed and establish controls for real time settlement, cash flow... 4.2.3.2.1. Establish business solutions (Posta Wallet, Mobile App integration 4.2.3.2.4. Conceptualize a PCK's subsidiary that is commercially driven.	Report: value to customer/ sustainability and contribution to maximizing profits- pricing, brand equity & visibility) -No. of customers & revenues /ROI No. regained /Payment plan & action	BD/April 21 BD/ Business (Mails. Courier & Payment services) Feb 2021 ICT/ Payments Operations / F & A/ supply chain	Portfolio analysis not undertaken Increased business: Government to Government (pass- ports, NHIF, NTSA...) Payments to a number of 3 rd party customers made (schools, banks). Regained 5 lost customers Posta wallet at 60% completion		
4.3. Restructure Costs and Liability levels by...%	4.3.1. Debt Management	4.3.1.1. Collect...% of outstanding debts (List of debtors per region, business and assets/ Collection plan	No. / % / Kshs. List/Plan /Kshs. / %/ Impact / Report /Plan & action (impact)	Operations/ Business/ F & A/ RPMs F & A/ Operations/ Business (Monthly to annually)	Debt collection levels from leases & contract customers increased		

**Postal Corporation of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2021**

		4.3.2.1. 2. Identified Liabilities –retain and regain lost customers) /- Develop payment plans to build trust of customers/ Create a profitable presence / expansion model - rollout 100 License Postal Offices (LPO)/ Enhance compliance / minimize risks	No. of LPOs per region Revenue/ No. of customers Impact assessment report quarterly		Collection plan developed and resources deployed. 17 LPOs operationalized
	4.3.2. Budget review aligned to CSP tasks	4.3.2.1. objective & tasks budget method adopted 4.3.2.1.1. Develop a Cost Avoidance Score and actual savings against 10% target; - Assess efficiency levels of property Management System / Review terms of employment deploy multiple skilled staff.	Ksh. / %/ report -Impact assessment report (Staff Rationalization / LPOs/ office automation)/ Impact assessment report	F & A HR/ F & A Operations	Savings of 0.7Million realized within the period 2020/21 Cabinet Memo developed
	4.3.3. Grow Asset revenue (rent)	4.3.3.1. Review rents 4.3.3.3.1. Adopt Property Management system towards improved efficiency (timely billing)	Recommendation Ksh. & No. reviewed Report	Legal / Operations Supply Chain	Review mechanisms established engagement by Q2 2020/22
	4.3. 4. Leasing of excess capacity (space) in postal outlets.	4.3.4.1. List of identified space all regions 4.3.4.3.Undertake the awarding process and communicate (identify channel,)	Space identified/ region/ office/Guidelines /Circular to RPMs RPMs report/ lists	Operations/ F & A/ supply Chain/	Conversion of Post shops to sell of space to be adopted
-The revised budget was on objective and task hence GoK/ PCK performance contract targets were drawn from the CSP					

VI. 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 6 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.

VI. CORPORATE GOVERNANCE STATEMENT... Continued

The Process of Appointment, Renewal and Removal of Directors

The Board comprises of the Chairman, six (6) independent members, who are appointed by the Cabinet Secretary for Information, Communication, Technology, innovation and Youth Affairs from among persons with experience in business and management matters. The Board also includes the Principal Secretaries to the National Treasury and Planning; the Ministry of Information, Communication and Technology and the Postmaster-General as an ex-officio member. The Board is composed of professionals with diverse backgrounds, skills and competencies. Renewal and removal of PCK directors' is done by the Cabinet Secretary for Information, Communication, Technology, innovation and Youth Affairs

The Board is independent and it adheres to the highest standards of corporate governance and ethics as well as ensuring compliance with all applicable laws and the board charter. The Board is committed to ensuring that the Corporation's obligations, roles and responsibilities to its various stakeholders are fulfilled through its corporate governance practices. The Members and Management perform their duties with impartiality, honesty, transparency and accountability, professionalism, care and due diligence and act in good faith to the best interests of the public.

Ethics and Conduct

In addition, the Board is committed to ensuring that ethics and integrity remain at the core of the Corporation's operations. It recognizes that ethical management is key to PCK's sustainability and is therefore, continuously putting in place practices, systems and processes to integrate ethics in all the Corporation's operations. All new Members and staff undergo mandatory induction which includes training on ethical conduct and the commitment to adhere to the principles of the PCK's Code of Ethics.

Capacity Building for the Board

In the FY 2020/2021, the Board was trained on Corporate Governance. The training was conducted by the Kenya School of Government (KSG) and ICPAK with the objective of equipping the Board with the necessary skills to effectively discharge their mandate. The training covered aspects of corporate governance and the operations of Board Audit Committees.

Succession Plan

Postal Corporation of Kenya maintains a solid board succession plan to enable more effective recruitment as director terms expire and board vacancies approach. Directors' terms are staggered to cap the number of terms expiring at a manageable number each year. This is done in collaboration with the Cabinet Secretary for Information, Communication, Technology, innovation and Youth Affairs.

Board Committees

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

i. Audit and risk management 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.

VI. CORPORATE GOVERNANCE STATEMENT... Continued

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.
 - 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.
- iv. Business development and Innovation committee

The mandate of the Committee includes:

- (a) Oversee the strategic direction of the Corporation's technology, innovation, research and product development programs, management issues, priorities and resource allocation in terms of responding to the Corporation's agreed corporate strategy
- (b) Advise the Board on the principal issues arising that require consideration by the full Board.

VI.CORPORATE GOVERNANCE STATEMENT... Continued

The Committee will also receive from time to time briefings on external developments in relevant technologies and research fields.

Board/Committee meetings

The following is the record of the Board and Committee meetings held during the year ended 30 June 2021

	2020/2021	2019/2020
Main / Special Board	8	12
Audit and risk management	4	4
Human Resource	6	5
Finance	7	4
Business development, and Innovation	5	3

Board of Directors Remuneration

In the financial year 2020/2021, the Corporation's board of Directors' expenses amounted to Kshs.9, 444,359.

VII. MANAGEMENT DISCUSSION AND ANALYSIS

1. 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.

2. Economic review

The Kenyan economy registered a GDP decline rate of 0.3 % in 2020 compared to 5.4% in 2019. Inflation rose to 5.4% in 2020 from 5.3% in 2019. Kenya's economy was adversely affected by the Coronavirus Disease (COVID-19) and the consequent containment measures both domestically and internationally. These significantly slowed down economic activities in 2020. The general economic performance influences all players in the National Economy.

. - *Kenyan economic survey 2021*

3. The overall financial position of year 2020/2021 is a net loss of Kshs (35 million) before tax.

Table 1- Financial performance Trend in Kshs millions

Particulars	2020/2021	2019/2020	2018/2019
Revenue	3,219	2,278	2,661
Expenditure	3,255	3,521	3,634
Net deficit / before tax	-35	-1,243	-972.8
Net deficit/ after tax	-35	-1,243	-972.8

4. Financial performance

(a) Revenue

The overall Corporation Revenue registered an increase of Kshs 131 million in the year 2020/2021 compared to 2019/2020. Within the year, the Corporation received a government grant of Kshs. 810 million to cover outstanding staff cost. The improvement was attributed to increased business due to gradual opening up of economy after COVID -19 disruptions. In addition, measures taken to slow down the rate of infection, including vaccinations, opening of travel restrictions and schools, led to improved courier business.

Significant Increases were noted in:-

- Parcels Kshs.134million
- EMS Kshs.21 million
- Passport Service Kshs 50million
- Rent Kshs 4 million

Notable decreases were in: -

- Receipts from international services Kshs.42 million
- Sale of Postage stamps Kshs.33 million
- Postage in bulk Kshs.37 million
- Clearing and forwarding Kshs.7 million
- Money order commission Kshs.12 million

Three years Revenue comparatives 2018/2019-2020/2021 in billions

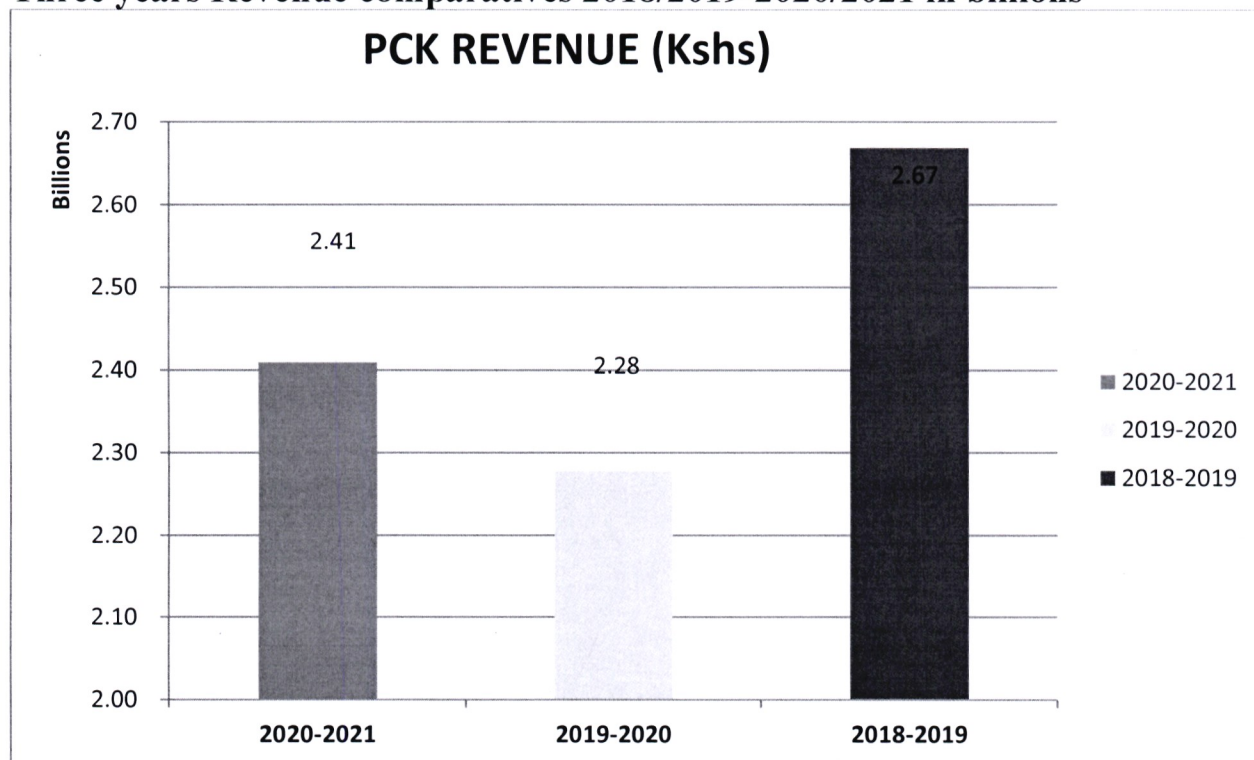


Table 2 : Three years Revenue comparatives 2018/2019-2020/2021 in billions

PERIOD	2020-2021	2019-2020	2018-2019
REVENUE (Kshs)	2,409,514,789.46	2,278,101,002	2,668,578,671

MANAGEMENT DISCUSSION AND ANALYSIS....continued

Revenue Streams performance trend from 2018/2019 to 2020/2021

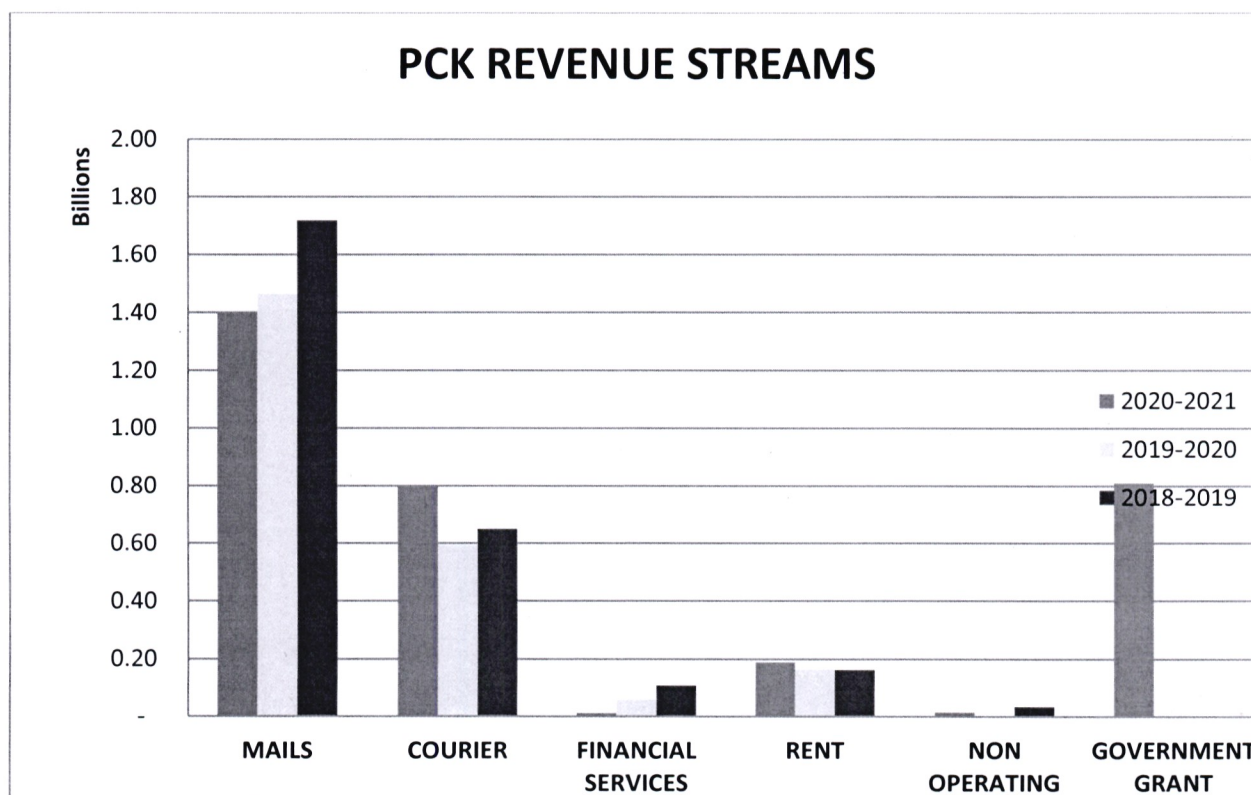


TABLE 3: Revenue Streams performance trend from 2018/2019 to 2020/2021

PCK REVENUE STREAMS			
FINANCIAL YEAR	2020-2021	2019-2020	2018-2019
MAILS	1,398,075,120	1,463,494,694	1,716,946,934
COURIER	746,709,987	590,770,013	649,002,674
FINANCIAL SERVICES	61,197,108	58,221,887	107,097,706
RENT	188,908,631	164,381,597	162,382,022
NON-OPERATING	824,623,943	1,232,812	33,149,335
Government Grant	810,000,000	-	-
TOTAL	3,219,514,789	2,278,101,002	2,668,578,671

REVENUE PERFORMANCE PER STREAM

2020/2021 Revenue analysis

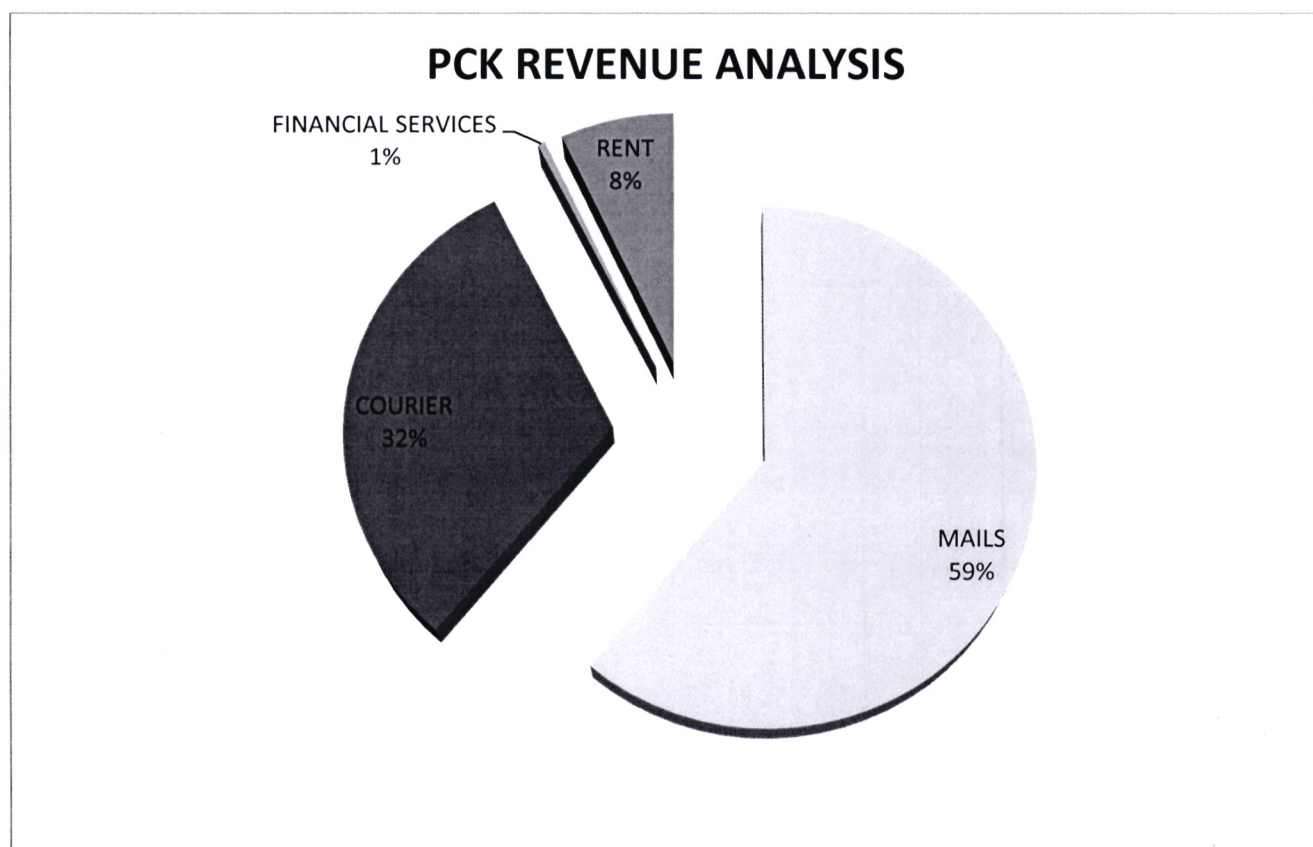


Table 4: 2020-2021 Revenue Performance Per Stream

OPERATING REVENUE ANALYSIS 2020-2021		
SERVICE	REVENUE GENERATED	CONTRIBUTION
MAILS	1,389,638,586.62	58%
COURIER	796,787,499.15	31%
FINANCIAL SERVICES	34,180,072.36	3%
RENT	188,908,631.33	8%
TOTAL	2,409,514,789.46	100%

(b) Operating Expenditure

Operating expenditure reflected a decrease of Kshs 266 million in 2020/2021 financial year compared to 2019/2020. The decrease in the operating expenditure is as a result of reduced staff, operational and telephone and data communication costs among others as shown below.

Major Reductions-:

- Staff cost-Kshs.108 million due to reduced staff numbers
- Rental Expenses Kshs.4million due to relocations eg moving out from GPO
- operational costs-Kshs.54 million due to decreased mail and international expenses
- Telephone and data-Kshs 12.4 million due to data expense decrease

Three years Expenditure comparatives in millions

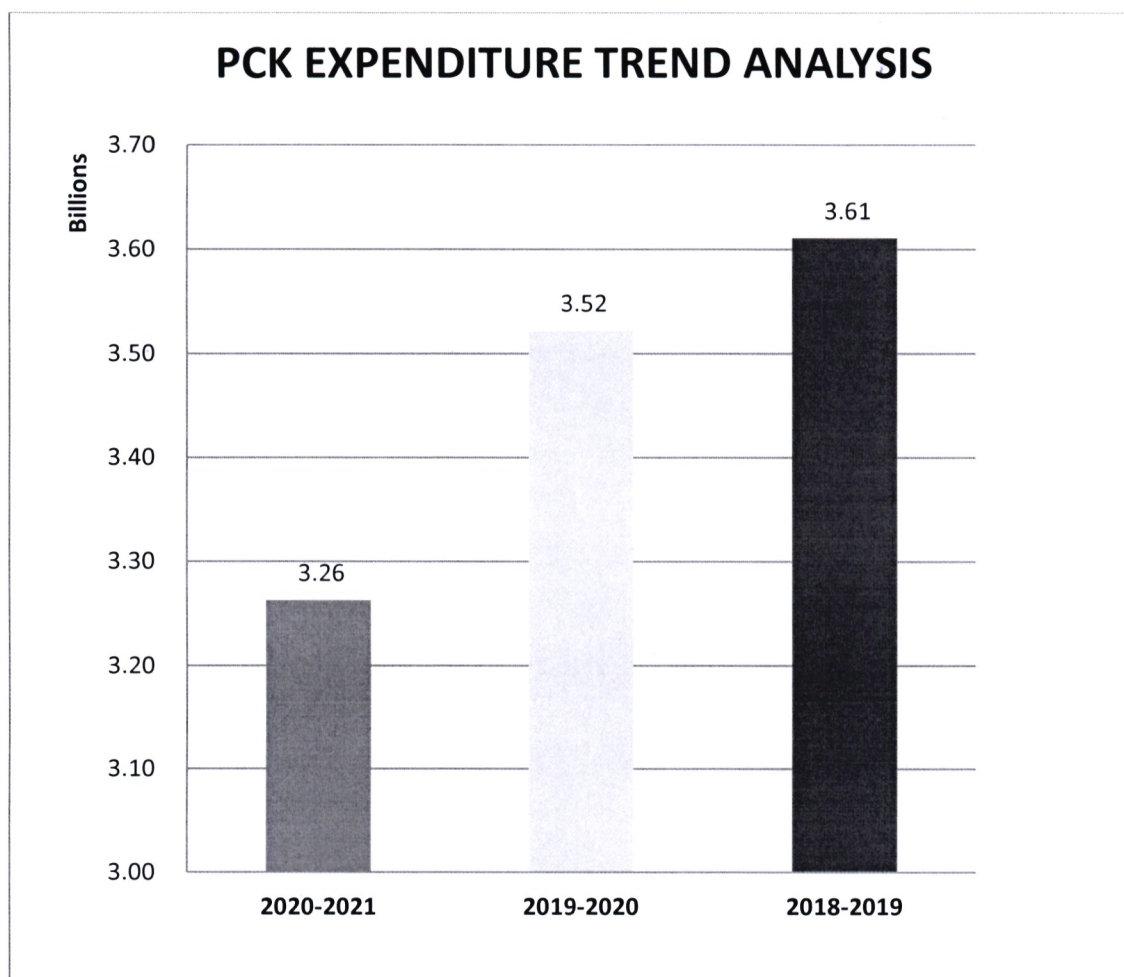
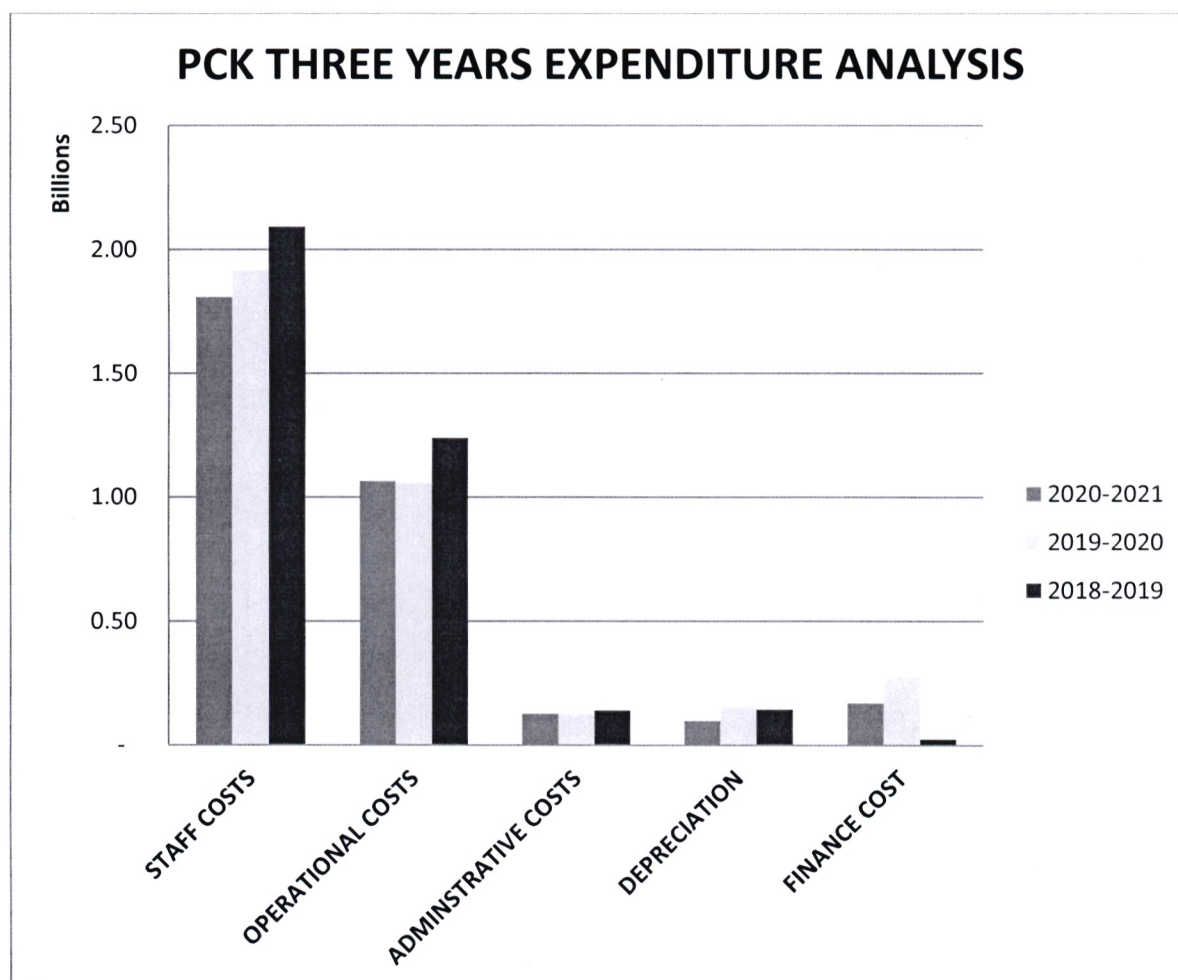


Table 5: 2018/2019-2020/2021 Three years Expenditure comparatives in millions

EXPENDITURE KSHS.			
FINANCIAL YEAR	2020-2021	2019-2020	2018-2019
TOTAL	3,255,036,976.	3,521,960,897.00	3,610,764,190.00

Three years Expenditure Items Analysis



**Table 6: Three years Expenditure Items Analysis
2018/2019-2020/2021**

FINANCIAL YEAR	2020-2021	2019-2020	2018-2019
STAFF COSTS	1,808,147,814	1,916,633,253	2,091,315,213
OPERATIONAL COSTS	1,063,487,781	1,057,031,916	1,239,499,122
ADMINISTRATIVE COSTS	118,345,258	122,221,986	137,777,015
DEPRECIATION	97,255,238	152,769,408	142,172,840
FINANCE COST	167,800,885	273,167,142	23,919,089

2020/2021 Expenditure Items Analysis

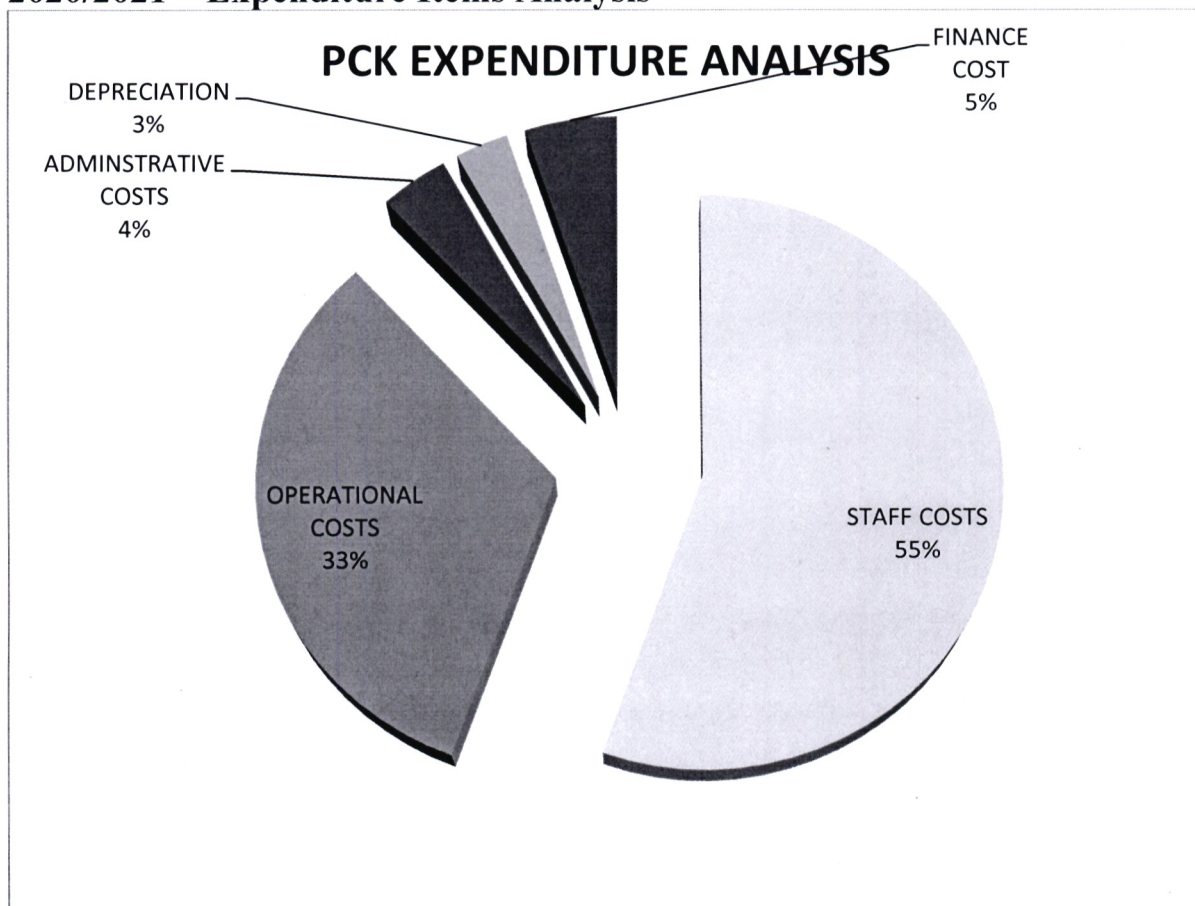


Table 7: 2020/2021 Expenditure Items Analysis

EXPENDITURE ANALYSIS 2020-2021 KSHS		
SERVICE	EXPENDITURE	CONTRIBUTION
STAFF COSTS	1,808,147,814	55%
OPERATIONAL COSTS	1,063,487,781	33%
ADMINISTRATIVE COSTS	118,345,258	4%
DEPRECIATION	97,255,238	3%
FINANCE COST	167,800,885	5%
TOTAL	3,255,036,976	100%

(c) Financial Results

The financial results reflected an operating loss of Kshs 35 million compared to a loss of Kshs. 1.243 billion in 2019/2020

(d) Ratios

	<u>2020/2021</u>	<u>2019/2020</u>	
Liquidity ratio: Current ratio = liabilities	0.18	0.15	Current Assets / Current
Gearing ratio =	0.62	0.63	Total liabilities/ Total Assets
Return on investment Assets	- 0.32 %	.- 9.3%	Net Profit /loss before tax/Total

VIII. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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 may be assigned to it. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer first, delivering relevant services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Environmental performance.

PCK is committed to environmental responsibility in the conduct of its business. PCK provides a safe and healthful work place, protecting the environment, and conserving energy and natural resources.

ii) Employee welfare

Postal Corporation has a policy guiding the hiring process which applauds equal opportunity to all Kenyans and takes into consideration Gender ratio, Ethnic balance, Persons with disability (PWD), Qualifications, Skills Experience. PCK has a training policy and a budget for training that ensures improvement of skills through Training needs analysis (TNA) done by line managers. The corporation has a Performance Management Policy (PMS) that guides the workforce the performance appraisal cycle which includes setting targets, evaluations, rewards and sanctions. The employees are rewarded according to their excellent performance and marginal performers are placed on performance improvement plans (PIP). Sanctions are addressed through initiatives that include training.

The Corporation is committed towards promoting and maintaining high standards of Health and safety for employees and Customers, at all business premises and offices. All efforts made by HR to ensure Zero Accidents and no work-related ill health or damages to the environment. The HSE policy is currently on the review processes to re-ump the procedures

iii) Market place practices-

a. Responsible competition practice

The organization ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors, We offer competitive prices for our products and services. Prices for some of our products and services are approved by the Communication Authority of Kenya.

b. Responsible Supply chain and supplier relations

The corporation maintains good business practices and treats its suppliers responsibly by honouring contracts and respecting payment practices through having on time communication with the suppliers and ensuring information given is correct and timely. It carries out supplier sensitization forums that aim to pick areas critical to the business in terms of supply and quality of goods.

c. Responsible marketing and advertisement.

. The corporation has been able to maintain ethical marketing practices through

- Ensuring that what we communicate is actually what we offer i.e. we do not make false comparisons or make unverified claims. Our business is carried out in compliance with the law.
- Respond to all customer concerns using different mediums of communication.

d) Product stewardship.

The Corporation efforts to safeguard consumer rights and interests include.

- Development of the customer service charter in English, Kiswahili and Braille. The charter outlines all relevant information about the product and services and what customers can expect from each service. The charter is available at our outlets countrywide.
- Product information is available on our website: www.posta.co.ke
- Terms and conditions for our products and services are clearly articulated on our receipts- (EMS/ Posta parcel receipts)
- Frequently asked questions (FAQ's) are outlined on our website.

e) Corporate Social Responsibility / Community Engagements

The Corporation engaged in the Social Responsibility programmes within the year. On 20th October 2020 the Corporation participated in a Clean-up exercise in Nyeri town where it incurred a cost of Kshs.50,000 in organizing the cleaning and the football matches (lunches, bottled water & medicine for the sportsmen were provided). The Corporation also participated in the annual World Post Day on 9th October 2020 where it incurred Kshs.417,920 for Cash Prizes for the winners, Certificates, Publicity materials & Essay markers.

IX. 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 2021

i) Principal activities

Postal Corporation of Kenya, a Public Corporation set up in 1999 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 Postal services and Postal financial services.

ii) Results

The results of the entity for the year ended June 30, 2021 are set out on page xxv. Below is summary of the profit or loss made during the year.

	<u>KShs</u>
Loss before Tax	(35,522,187)
Less Corporation Tax	<u>-</u>
Net Profit/ (Loss) after Tax for the Year	(35,522,187)

iii) Directors

The members of the Board of Directors who served during the year are shown on page v.

iv) Auditors

The Auditor General is responsible for the statutory audit of Postal Corporation of Kenya (PCK) in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

Name **JULIUS OPINI**

Signature 

Date **26/8/2022**

Corporate Secretary/Secretary to the Board

X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 PCK Act Number 3 of 1998 require the Directors to prepare financial statements in respect of 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 the Corporation's financial statements, which give a true and fair view of the state of affairs of the Corporation for and as at the end of the financial year (period) ended on June 30, 2021. 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 entity; (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 responsibility for the 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 PFM Act, 2012 and PCK Act Number 3 of 1998.

**Postal Corporation of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2021**

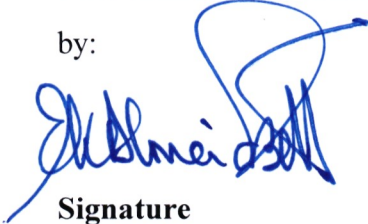
STATEMENT OF DIRECTORS' RESPONSIBILITIES (Continued)

The Directors are of the opinion that the Corporation financial statements give a true and fair view of the state of Corporation's transactions during the financial year ended June 30, 2021, and of the Corporation's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of the 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 financial statements were approved by the Board on September 2021 and signed on its behalf by:



Signature

Name

Chairperson of the Board



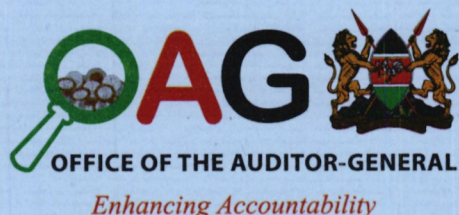
Signature

Name

Postmaster General

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON POSTAL CORPORATION OF KENYA FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines, and manuals and whether public resources are applied in a prudent, efficient, economic, transparent, and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management, and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient, and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Postal Corporation of Kenya set out on pages 1 to 42, which comprise the statement of financial position as at 30 June, 2021, and the statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison

of budget and actual amounts 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 35 of the Public Audit Act, 2015. 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.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial position of Postal Corporation of Kenya as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Postal Corporation of Kenya Act, 1998 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Undisclosed Material Uncertainty Relating to Going Concern

The statement of profit and loss and other comprehensive income reflects a loss of Kshs.35,522,187 (2020 - Kshs.1,243,859,896) which resulted in the fall of the accumulated general reserves to a negative Kshs.6,437,441,894 from a negative balance of Kshs.6,401,919,708 reported in the financial year ended 30 June, 2020. Further, the statement of financial position reflects current liabilities balance of Kshs.8,366,682,985, which exceeds the current assets balance of Kshs.1,478,488,560 resulting into a negative working capital of Kshs.6,888,194,425.

The Corporation is therefore technically insolvent and may not be able to meet its financial obligations as and when they fall due. The material uncertainty relating to going concern and the actions being taken by the Board of Directors and Management to reverse the trend have not been disclosed in the financial statements.

2.0 Land and Buildings Without Ownership Documents

The statement of financial position reflects property, plant and equipment balance of Kshs.11,653,475,776 as at 30 June, 2021 as disclosed in Note10a to the financial statements. This includes Kshs.9,036,850,000 being the revalued land balance out of which Kshs.1,478,000,000 related to thirty-three (33) parcels of land in various parts of the country whose ownership was in dispute. The land parcels had either been encroached on, double allocated or alienated. Further, fifty-five (55) parcels of land vested to the Corporation through legal notice No. 156 of 1999 of 5 November, 1999, did not have title deeds.

In the circumstances, the accuracy, completeness and ownership of property, plant, and equipment with a net value of Kshs.11,305,381,792 as at 30 June, 2021 could not be confirmed.

3.0 Unaccounted for Cash in Transit

The statement of financial position and as disclosed in Note 12 to the financial statements reflects cash and cash equivalents balance of Kshs.335,027,648. Included in the balance

is cash in transit of Kshs.1,160,216. Review of the cash remittance report revealed that there were several cash remittance transactions whose status was indicated as in transit. Further, analysis of bank remittances showed that during the year under review, a total of 36,410 dispatches amounting to Kshs.4,988,836,852 were released, out of which only 33,525 dispatches totalling to Kshs.4,801,932,147 were received resulting in unaccounted for cash in transit balance of 2,886 transactions valued at Kshs.186,904,705.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.335,027,648 as at 30 June, 2021 could not be confirmed.

4.0 Unsupported Deferred Projects

The statement of financial position reflects trade and other payables balance of Kshs.8,366,682,985. Included in the balance are deferred projects of Kshs.96,819,339. The Management explained that the liabilities on deferred projects were vested to the Corporation in 1999 through Legal Notice No. 156. The defunct Kenya Postal and Telecommunication Corporation had hired the services of consultants for the design and construction of Kisumu, Kericho, and Malindi Head Post Offices (HPOs). This liability was awarded by High Court based on a project to design and construct the three Head Post Offices, but the defunct Corporation failed to pay the debt. Although the Management indicated that the service was irregular, no documentary evidence was provided for the unpaid liability.

In the circumstances, the accuracy and completeness of the reported trade and other payables balance of Kshs.8,366,682,985 as at 30 June, 2021 could not be confirmed.

5.0 Unsupported Operating Expenses – Rent and Service Charge

The statement of profit or loss and other comprehensive income reflects an amount of Kshs.1,160,624,076 in respect of operating expenses. Included in this amount and as disclosed in Note 8(d) to the financial statements is Kshs.250,712,407 in respect of office rent and service charges. The amount includes Kshs.26,406,041 which was not supported by lease agreements while an amount of Kshs.5,098,343 was made based on expired lease agreements.

Consequently, the accuracy, completeness, and validity of the expenditure of Kshs.250,712,407 on rent and service charges could not be confirmed.

6.0 Long Outstanding Trade and Other Receivables – Rent Receivables

The statement of profit or loss and other comprehensive income reflects an amount of Kshs.1,143,460,912 in respect of trade and other receivables. Included in this amount is Kshs.149,850,830 in respect to rental income from regional offices which has been outstanding for a long time relating to unpaid rent from clients. Management did not demonstrate efforts taken to collect the long-overdue rent receivables.

In the circumstances, the recoverability of the rent overdue was in doubt.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Postal Corporation of Kenya Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Matters

In the report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management, and Governance. However, the issues remained unresolved as at 30 June, 2021.

Management did not provide reasons for delay in resolving the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Unremitted Statutory, Pensions, Gratuity, Staff Loans and Posta Pay EFT Dues

The statement of financial position and as disclosed in Note 13 to the financial statements reflects trade and other payables balance of Kshs.8,366,682,985. The following anomalies were noted:

- i. Included in the balance is an amount of Kshs.507,258,740 being statutory deductions, Value Added Tax withheld, customs and excise taxes, and other taxes which had not been remitted to the Kenya Revenue Authority. Further, Income Tax due in respect of salaries paid to seven (7) employees was not withheld and remitted to the Kenya Revenue Authority.

- ii. Included in the balance is an amount of Kshs.1,541,974,206 in respect of pensions and gratuities deductions, Kshs.94,308,800 due to Cooperatives, and Kshs.259,498,259 in respect of unremitted staff bank loans which had not been remitted to the relevant institutions. This is contrary to Section 19(4) of the Employment Act, 2007 which requires an employer who deducts an amount from an employee's remuneration to pay the amount deducted and remitted within the stipulated time.
- iii. Included in the balance is an amount of Kshs.1,216,933,882 in respect of New Posta Pay EFT relating to revenue collected by the Corporation on behalf of other entities which had not been remitted to the relevant institutions.

In the circumstances, Management was in breach of the law.

2.0 Procurement Outside the E-Procurement System

During the year under review, the Corporation procured goods and services through manual processes instead of the Government recommended e-procurement system. This is contrary to Executive Order No. 6/2015 and Executive Order No. 2 of 2018 which directed all public procuring entities to migrate their procurement systems to the e-procurement platform developed by The National Treasury.

In the circumstances, Management was in breach of the law.

3.0 Wasteful Expenditure

The statement of profit or losses and other comprehensive income and as disclosed under Note 9 to the financial statements is an amount of Kshs.167,800,885 in respect of finance costs. Included in this amount is an interest of Kshs.10,250,000 and Kshs.138,489,387 in respect of unpaid SACCO dues and unpaid pensions respectively. Review of records revealed that the Corporation incurred the interests, which could have been avoided had the entity remitted the SACCO dues and pensions in time.

In the circumstances, the value for money of interest totalling Kshs.148,739,387 in respect of delayed SACCO dues and pensions contributions could not be confirmed.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions, and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on

Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1.0 Weak Controls Over the Financial Reporting System

Review of the financial reporting system revealed that the Corporation raised 11,862 invoices worth Kshs.900,121,147 to contract customers. However, the following weaknesses were noted:

- i. The system was configured to generate serialized invoice numbers. However, analysis of the invoices, revealed that invoice numbers 47776, 49407, 49408 and 55664 were missing from the invoices data obtained from the system;
- ii. Two (2) customers were billed using different invoice accounts. Although the invoice account field is automatically populated after in-putting the customer details, the field was not configured to restrict the billing officers from editing the invoice accounts. This may result to loss of revenue and accumulation of debtors.
- iii. Twenty-four (24) customers had multiple accounts created in the system, which were still active in the system. The accounts were billed a total of Kshs.70,126,654.
- iv. The Corporation had listed one thousand four hundred and seven (1,407) contract customers in the financial reporting system. However, a comparison of the customers' contracts with invoices generated by the same system revealed fourteen (14) customers were invoiced a total of Kshs.9,322,560, yet they were not on the list of contracted customers.

This was an indication of either a system error occurred or transactions were being deleted which could compromise the integrity and reliability of the system.

Consequently, the confidentiality, integrity and availability of the system could not be assured.

2.0 Lack of Standardized Rates for Rental Income

Field inspection of various post offices in different regions revealed that the Corporation had leased out parcels of land and properties to third parties. Examination of lease agreements revealed that the Corporation used arbitrary rates for the tenants despite occupying the same office space or parcels of land. This is an indication of lack of competitive and standardized rates to determine rent payable. Further, no evidence was provided indicating that market surveys were being conducted for the entity to obtain maximum returns on rent payable.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were

operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Corporation's ability to continue to sustain its services, disclosing, as applicable, matters related to going concern and using the applicable basis of accounting unless Management is aware of the intention to liquidate the Corporation or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Corporation's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit 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 my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities,

financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I 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 my 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable 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 Corporation's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Corporation to cease to continue to sustain its services.

- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Corporation to express an opinion on the financial statements.
- Perform such other procedures, as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I 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 my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

08 September, 2022

Postal Corporation of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2021

**XII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021.**

	Notes	2020/2021 KSHS	2019/2020 KSHS
OPERATING REVENUES			
Operating revenue	2	2,394,890,846	2,276,868,189
Finance income	3	102,126	255,076
Other Income	4	183,560	230,241
Other gains and losses	5	14,338,257	747,496
		<u>2,409,514,789</u>	<u>2,278,101,002</u>
Government Grant	6	810,000,000	-
Total revenue		<u>3,219,514,789</u>	<u>2,278,101,002</u>
OPERATING EXPENSES			
Administrative expenses	7	1,926,612,015	2,039,044,431
Operational expenses	8	1,160,624,076	1,209,749,324
Finance costs	9	167,800,885	273,167,142
Total operating expenses		<u>3,255,036,976</u>	<u>3,521,960,897</u>
Operating Surplus/(Deficit)		(35,522,187)	(1,243,859,895)
Net surplus/(Deficit) before tax		(35,522,187)	(1,243,859,895)
Income tax expense		-	-
Net Surplus/(Deficit) after Tax		<u>(35,522,187)</u>	<u>(1,243,859,895)</u>

XIII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

		<u>2020/2021</u> KSHS	<u>2019/2020</u> KSHS
Assets	Notes		
Non- Current Assets			
Plant Property and Equipment	10.a	11,653,475,776	11,733,229,800
Intangible asset	10.b	315,410,473	316,338,473
		<u>11,968,886,249</u>	<u>12,049,568,273</u>
Current Assets			
Trade and Other Receivables	11	1,143,460,912	1,056,768,734
Cash and Bank	12	335,027,648	235,207,106
		<u>1,478,488,560</u>	<u>1,291,975,839</u>
Total Assets		<u>13,447,374,809</u>	<u>13,341,544,112</u>
Reserves and Liabilities			
Current liabilities			
Trade & Other payables	13	8,366,682,985	8,404,751,793
		<u>8,366,682,985</u>	<u>8,404,751,793</u>
Reserves			
General reserve	14	(6,437,441,894)	(6,401,919,708)
Revaluation Reserve	15	11,318,554,398	11,319,095,198
Total Reserves		<u>4,881,112,503</u>	<u>4,917,175,489</u>
Non Current liabilities			
CBA Loan	16	199,579,321	19,616,829
Total Non Current liabilities		<u>199,579,321</u>	<u>19,616,829</u>
Total Reserves and Liabilities		<u>13,447,374,809</u>	<u>13,341,544,112</u>

The Financial Statements on pages 1 to 35 were approved by the Board of Directors on September 2021 and were signed on its behalf by;

Chairperson.....

Date :

26/08/22

Postmaster General.....

Date:

General Manager Finance.....

ICPAK NO...135.36.....

Date: 26/8/2022

XIV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	Note	General Reserve	Revaluation Reserve	Total
As at 1 July 2019		(5,158,059,812)	7,179,259,943	2,021,200,131
Net profit / Deficit for the year		(1,243,859,895)	-	(1,243,859,895)
Revaluation gain			4,139,835,255	4,139,835,255
As at 30 June 2020		(6,401,919,707)	11,319,095,198	4,917,175,491
Revaluation Adjustments			800,200.00	800,200
Revaluation Gain			(1,341,000)	(1,341,000)
Net profit / Deficit for the year		(35,522,187)		(35,522,187)
As at 30 June 2021		(6,437,441,894)	11,318,554,398	4,881,112,504

XV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2020/2021. KSHS	2019/2020 KSHS
Cash receipts from customers		2,955,358,192	2,095,701,586
Cash paid to suppliers and staff		(2,986,802,652)	(2,004,196,160)
Cash generated from operations		(31,444,461)	91,505,426
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of assets		800,000.00	-
Purchase of Property and Equipments	10	(17,864,014)	(61,199,971)
Interest income	3	102,126	255,076
Cash advanced to staff		(12,674,103)	(4,535,084)
Net cashflow from Investing activities		(29,635,991)	(65,479,979)
CASH FLOW FROM FINANCING ACTIVITIES			
Bank loan	16	200,000,000	20,000,000
Loan Repayments	16	(20,037,508)	(383,171)
Loan interests	16	(19,061,498)	(399,120)
Net cashflow from financing activities		160,900,995	19,217,710
Net Increase /Decrease in PCK Cash		99,820,543	45,243,157
Cash and Cash Equivalent at beginning		235,207,106	189,963,949
Cash and Cash Equivalent at year end		335,027,648	235,207,106

Postal Corporation of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2021

XVI.STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2021

Description	Original budget	Adjustment	Final budget	Actuals	Performance difference	% of Utilization
	2020/2021	2020/2021	2020/2021	2020/2021		
REVENUE	4,351,121,000	(1,184,437,000)	3,755,000,000	3,219,514,789	(535,485,210.54)	
Less OPERATING EXPENDITURE						
Staff Cost	1,997,053,000	(154,480,400)	1,957,734,749	1,808,147,814	(149,586,934.84)	-8%
Administration Cost	164,298,600	(28,508,000)	135,790,600	109,019,842	(26,770,757.73)	-20%
Directors Expenses	20,220,000	-	20,220,000	9,444,359	(10,775,641.14)	-53%
Operational Cost	382,485,600	(114,102,950)	268,300,250	261,058,898	(7,241,352.14)	-3%
Conveyance of Mail	140,504,000	18,000	140,522,000	128,699,861	(11,822,138.80)	-8%
International Services Exper	51,018,800	(18,800)	51,000,000	136,110,094	85,110,093.84	167%
Rental Expenses	211,020,800	33,597,000	229,997,000	250,712,407	20,715,406.56	9%
Maintenance Expenses	130,039,200	(9,024,800)	121,014,400	89,084,607	(31,929,793.01)	-26%
Training Expenses	17,399,000	(8,419,000)	8,980,000	13,351,293	4,371,292.64	49%
Telephone and Data	53,794,000	1,397,000	55,191,000	40,554,248	(14,636,751.55)	-27%
Other expenses	199,165,000	(20,486,000)	178,679,000	101,909,039	(76,769,960.52)	-43%
	3,366,998,000	(300,027,950)	3,167,428,999	2,948,092,462	(219,336,536.69)	
Provision for Depreciation				96,327,239		
Non operating expenditure				167,800,885		
Amortisation				928,000		
Provision for bad debts				41,888,390		
				3,255,036,976		
Surplus/(Deficit) for the year					(35,522,187)	

- Negative impacts of Covid 19 on business activity affected PCK performance resulting in revenue deficits
- PCK adopted cost cutting measures which resulted in savings in administrative and operational expenses
- USA and European countries revised their rates within the year resulting in unanticipated overspending
- Under-absorption was caused by cashflow challenges

XVII. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Postal Corporation of Kenya is established and derives its authority and accountability from PCK Act Number 3 of 1998. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity Postal services, Postal financial services and any other duty as may be assigned to it.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

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

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

3. Application of New and Revised International Financial Reporting Standards (IFRS)

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2021.*

Title	Description	Effective Date
IAS 39- Financial Instruments: Recognition and Measurement	IAS 39 "Financial Instruments: Recognition and Measurement" outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

Postal Corporation of Kenya

Annual Reports and Financial Statements

For the year ended June 30, 2021

	<p>an entity becomes a party to the contractual provisions of the instrument and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments.</p>	
<p>IFRS 4- Insurance Contracts (Superseded)</p>	<p>IFRS 4 "Insurance Contracts" applies, with limited exceptions, to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. In light of the IASB's comprehensive project on insurance contracts, the standard provides a temporary exemption from the requirements of some other IFRSs, including the requirement to consider IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" when selecting accounting policies for insurance contracts.</p>	<p>The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.</p>
<p>IFRS 7- Financial Instrument Disclosures</p>	<p>IFRS 7 "Financial Instruments: Disclosures" requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in</p>	<p>The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.</p>

Postal Corporation of Kenya

Annual Reports and Financial Statements

For the year ended June 30, 2021

	relation to transferred financial assets and a number of other matters.	
IFRS 16- Leases	IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the PCK's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Application of New and Revised International Financial Reporting Standards (IFRS)

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.*

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or	Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

Postal Corporation of Kenya

Annual Reports and Financial Statements

For the year ended June 30, 2021

Title	Description	Effective Date
	settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	
IAS 16 — Property, Plant and Equipment	IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IAS 37 — Provisions, Contingent Liabilities and Contingent Assets	IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

Postal Corporation of Kenya

Annual Reports and Financial Statements

For the year ended June 30, 2021

Title	Description	Effective Date
	timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).	
IFRS 17 — Insurance Contracts	IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.	The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after January 1, 2022. [The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.]

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020/2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a). Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Corporation 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 the Corporation's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the Corporation's activities as described below.

- a. **Revenue from the sale of goods and services** is recognised in the year in which the entity delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- b. **Grants from National Government** are recognised in the year in which the Corporation actually receives such grants.
- c. **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.
- d. **Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.
- e. **Rental income** is recognised in the income statement as it accrues using the effective lease agreements.
- f. **Other income** is recognised as it accrues.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b. In-kind contributions

In-kind contributions are donations that are made to the Corporation in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Corporation includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

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. The last revaluation was done Wamae Mureithi & Associates on 30st June 2020.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

c. Intangible assets

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over four years.

d. Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of four years. All computer software is reviewed annually for impairment. Where the carrying amount of an intangible 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.

e. Investment property

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by PCK, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

f. Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use

NOTES TO THE FINANCIAL STATEMENTS (Continued)

asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

g. Fixed interest investments (bonds)

fixed interest investments refer to investment funds placed under central bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. fixed interest investments are freely traded at the Nairobi securities exchange. the bonds are measured at fair value through profit or loss.

h. Quoted investments

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.

i. Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange.

j. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

k. 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.

l. Taxation

m.

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred Tax

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

m. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

n. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call 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. Bank account balances include amounts held at the Central Bank of Kenya and at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

o. 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 considering any issue cost and any discount or premium on settlement.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

. 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.

p. 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 the entity or not, less any payments made to the suppliers.

q. 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. The company contribution to National Social Security Fund (NSSF is currently at Kshs.200 per employee per month.

r. Provision for staff leave pay

Employees' entitlements to annual leave are recognized as they accrue at the employees. At provision is made for the estimated liability for annual leave at the reporting date.

	<u>2020/2021</u>	<u>2019/2020</u>
Balance at beginning of the year (Kshs).	9,616,590.30	9,427,398.40
Additional provision at end of year (Kshs).	11,898	189,192.00
Balance at end of the year (Kshs).	<u>9,628,487.85</u>	<u>9,616,590.00</u>

Provision for annual leave pay is based on services rendered by full-time employees up to the end of the year.

s. Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. 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 are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

t. Budget information

The original budget for FY 2020-2021 was approved by the National Treasury on 30th June 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

a) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

b) Comparative figures

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

c) 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, 2021.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made: e.g.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 7(j)

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Local debts that are over one year and international debts over seven years are provided at 100%.

Postal Corporation of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTE 2

Revenue Analysis

	2020/2021.	2019/2020.
	KShs	KShs
Postal Revenue		
Sale of stamps	181,296,193	214,322,399
Parcels	309,746,541	174,870,693
Postage in bulk	197,718,897	235,709,379
Receipts from Foreign admin	146,420,451	188,443,893
EMS Service	436,963,446	415,899,319
Passports Delivery Services	50,077,512	-
Money order commisson	8,520,201	21,048,122
Box/ bag Rentals	812,523,178	796,859,219
EFT commission	1,593,810	3,600,468
Posta Despatch	8,016,647	3,654,461
Direct Mail Marketing	485,581	458,982
Post Liner Bus services	1,631,234	6,511,223
Posta Pesa Comm.	1,005,585	730,861
E-commerce Delivery Services	19,433,691	10,813,176
Miscellaneous	4,809,145	4,164,342
TOTAL	2,180,242,113	2,077,086,538
Post shops		
Posta shops	2,679,626	2,557,619
Total	2,679,626	2,557,619
Total postage and Post shops	2,182,921,739	2,079,644,158
Rent Income	188,908,631.33	164,381,596.62
AGENCY SERVICES		
(KPOSB) Post Office Savings Bank	1,046,339.00	1,146,090.00
Customs and Clearing commisions	4,299,393.07	11,639,285.72
Mpesa and Airtel Commissions	6,465,483.11	6,329,222.78
Regional Agencies	11,249,260.90	13,727,836.57
Total Agency Revenue	23,060,476.08	32,842,435.07
Total Operating Revenue	2,394,890,846	2,276,868,189

Postal Corporation of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTE	2020/2021. <u>Kshs</u>	2019/2020. <u>Kshs</u>
3 Finance income		
Bank Interest	85,626	238,576
Staff loans interest	16,500	16,500
	<u>102,126</u>	<u>255,076</u>
4 Other Revenue	2020/2021. <u>Kshs</u>	2019/2020. <u>Kshs</u>
Sale of Stores	183,560	230,241
Total	<u>183,560</u>	<u>230,241</u>
5 Non-Operating Revenue	2020/2021. <u>Kshs</u>	2019/2020. <u>Kshs</u>
Gain on disposal of Motor Vehicle	50,000	-
Foreign exchange gain	14,288,257	747,496
Total	<u>14,338,257</u>	<u>747,496</u>
6 Government Grant	2020/2021. <u>Kshs</u>	2019/2020. <u>Kshs</u>
Government Grant	810,000,000	-
	<u>810,000,000</u>	<u>-</u>

Postal Corporation of Kenya
 Annual Reports and Financial Statements
 For the year ended June 30, 2021

7. Administration Expense

	2020/2021.	2019/2020.
	<u>Kshs</u>	<u>Kshs</u>
Staff costs 7.a	1,808,147,814	1,916,822,445
Consultancy Charges	5,436,816	9,779,682
Bank Charges	7,064,921	4,778,403
Office Administration	17,421,668	15,220,234
Corporate Social Responsibility	467,884	816,600
Insurance	12,522,107	16,132,914
Security Charges	65,988,140	61,815,634
Miscellaneous expense	118,307	987,130
Directors expense	9,444,359	12,691,389
Total	<u>1,926,612,015</u>	<u>2,039,044,431</u>

	2020/2021.	2019/2020.
	KShs	KShs
7. a Staff costs		
Salaries and Allowances	1,173,170,342	1,254,097,058
House Allowance	386,101,266	410,875,169
Leave allowance	29,739,828	32,453,581
Medical	77,753,037	77,764,547
Pension expense	141,322,793	141,622,090
Staff award	60,548	-
	<u>1,808,147,814</u>	<u>1,916,812,445</u>

The average number of employees at the end of the year was:

Permanent- Management staff	432	466
Permanent Unionisable staff	1,829	2,054
Contract and temporary staff	234	71
	<u>2,495</u>	<u>2,591</u>

Postal Corporation of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2021

8. Operations Expense	Note	2020/2021	2019/2020
		KShs	KShs
Operation Expense	7(a)	261,058,898	315,653,931
Conveyance of mail	7(b)	128,699,861	73,563,377
International Services Expense	7(c)	136,110,094	82,834,017
Rental Expense	7(d)	250,712,407	254,586,798
Maintenance	7(e)	89,084,607	89,899,487
Training Expense	7(f)	13,351,293	5,285,392
Telephone and Data Communication	7(g)	40,554,248	52,961,525
Other Expenses	7(h)	101,909,039	98,634,564
Provision for bad debts	7(i)	41,888,390	83,612,824
Provision for depreciation	9.a	96,327,239	151,789,408
Provision for amortisation	9.b	928,000	928,000
		<u>1,160,624,076</u>	<u>1,209,749,324</u>

8(a). Operation Expense	2020/2021	2019/2020
	Kshs	Kshs
Postal Agencies	1,707,578	6,156,264
General Stores	30,404,560	28,407,516
Supply of Stamps	151,500	508,605
Vehicles Running Expenses	119,641,497	115,179,886
Compensation	881,808	1,067,123
Operating License	26,990,623	28,934,258
Transport hire, clearing and Freight charges	19,221,584	70,370,768
Travel subsistence allowances	62,059,748	65,029,511
Total	<u>261,058,898</u>	<u>315,653,931</u>

8(b). Conveyance of mail	2020/2021	2019/2020
	Kshs	Kshs
Road, Rail and Sea	8,551,782	9,178,563
Air International mail	43,590,450	23,178,533
Air International parcels	76,557,629	41,206,281
TOTAL	<u>128,699,861</u>	<u>73,563,377</u>

8(c). International Services Expense	2020/2021	2019/2020
	Kshs	Kshs
International Parcel Services -	68,784,172	61,254,095
International Mail Services -	67,325,922	21,579,922
Total	<u>136,110,094</u>	<u>82,834,017</u>

Postal Corporation of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2021

8(d). Rental Expense	2020/2021.	2019/2020
	KShs	KShs
Office Rentals	250,712,407	254,586,798
Total	250,712,407	254,586,798

8(e). Maintenance	2020/2021.	2019/2020
	KShs	KShs
Equipment leasing	53,779,568	58,858,569
ICT maintenance and licences	12,266,926	19,554,782
Office Equipment Repairs	6,020,325	8,858,302
Building Maintenance	17,017,788	2,627,835
Total	89,084,607	89,899,487

8(f). Training Expense	2020/2021.	2019/2020
	KShs	KShs
DIT	1,782,277	2,903,924
Training	11,569,016	2,381,468
Total	13,351,293	5,285,392

8(g). Telephone and Data Communication	2020/2021.	2019/2020
	KShs	KShs
Telephone lines	10,386,055	11,839,136
Mobile lines	2,184,502	2,260,338
Data communication	27,983,692	38,862,051
Total	40,554,248	52,961,525

Postal Corporation of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2021

8(h). Other Expenses	2020/2021.	2019/2020
	KShs	KShs
Furniture and Fittings (Repairs)	261,150	101,793
Electricity/Water	32,183,427	36,576,708
PCK Sporting Activities	3,392,621	9,413,987
Legal Expenses	8,401,014	7,316,528
Health, Safety Environment (HSE)	16,434,066	13,983,944
Shows and Exhibitions	3,012,232	5,055,619
Electronic Media Adverts	9,813,247	5,435,516
Print Media Adverts	12,146,395	8,012,760
Outdoor advertisement	12,028,877	9,170,443
Entertainment	447,650	338,318
Audit fees	3,484,640	2,900,000
Tax on fridge benefits	303,720	328,949
Total	<u>101,909,039</u>	<u>98,634,564</u>

8(i). Provision for bad debts

The Corporation has increased the provision for bad debts by Kshs.41.8 million to cover long outstanding EMS and other debtors that have been outstanding for more than over one year.

	2020/2021.	2019/2020
	KShs	KShs
Opening provision	2,474,492,347	2,390,879,523
Provision for bad debts	41,888,390	83,612,824
TOTAL provision	<u>2,516,380,737</u>	<u>2,474,492,347</u>

Postal Corporation of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2021

9. Non Operating Expenditure	2020/2021.	2019/2020
	KShs	KShs
Interest on unpaid sacco dues	10,250,000	25,359,101
Interest on NCBA Loan	19,061,498	399,120
Interest on unpaid pensions	<u>138,489,387</u>	<u>247,408,922</u>
	<u>167,800,885</u>	<u>273,167,142</u>

10. a. Property, Plant and Equipment

	LAND	BUILDINGS	VEHICLES	OFFICE EQUIP.	COMPUTERS	W. I. P	TOTAL
COST AS AT 01/07/2019	5,303,450,000	2,111,004,361	304,447,532	254,188,387	193,922,840	31,613,850	8,198,626,970
Additions	-	44,240,182	-	19,986,093	9,879,440	(31,613,850)	42,491,865
Disposals adjustments	-	-	-	-	-	-	-
AS AT 30/06/19	5,303,450,000	2,155,244,543	304,447,532	274,174,480	203,802,280	-	8,241,118,835
DEPRECIATION							
BAL BFWD 01/07/2019	-	(164,437,747)	(142,001,080)	(83,706,369)	(105,789,686)	-	(495,934,882)
Charge for the year	-	(42,220,087.0)	(45,365,914.0)	(25,418,839.0)	(38,784,568.0)	-	(151,789,408)
Disposals adjustments	-	-	-	-	-	-	-
AS AT 30/06/2020	-	(206,657,834)	(187,366,994)	(109,125,208)	(144,574,254)	-	(647,724,290)
Revaluation gain	5,303,450,000	2,361,902,377	491,814,526	383,299,688	348,376,534	-	7,593,394,545
BALANCE AS AT 30 JUNE 2020	9,036,850,000	2,313,350,000	141,230,000	191,095,400	50,704,400	-	11,733,229,800
COST/VALUATION AS AT 01/07/2020	9,036,850,000	2,313,350,000	141,230,000	191,095,400	50,704,400	-	11,733,229,800
Additions	-	1,448,792	-	12,103,720	4,311,502	-	17,864,014
Disposals	-	-	(750,000)	-	-	-	(750,000)
Adjustments	-	-	-	398,000	(1,341,000)	-	(1,341,000)
Adjustments	-	-	-	-	402,200	-	800,200
30.06.2021 Valuation	9,036,850,000	2,314,798,792	140,480,000	203,597,120	54,077,102	-	11,749,803,014
DEPRECIATION							
BAL BFWD 01/07/2020	-	-	-	-	-	-	-
Charge for the year	-	46,267,000	20,957,778	19,149,340	9,953,120	-	96,327,238
TOTAL DEPRECIATION	-	46,267,000	20,957,778	19,149,340	9,953,120	-	96,327,238
NET BOOK VALUE AS AT 30.06.2021	9,036,850,000	2,268,531,792	119,522,222	184,447,780	44,123,982	-	11,653,475,776

10 b. Intangible asset

	WORK IN PROGR			WORK IN PROGRESS		
	SOFTWARES	1. ERP	2. POSTAPESA-CEVA	3. MOBILE APP	3. MOBILE APP	
AS AT 01.07.2020	2,784,000	255,749,829	55,104,644	2,700,000	316,338,473	
COMPUTER SOFTWARES						
Amortization	928,000				928,000	
BAL CFWD 30.06.2021	1,856,000	255,749,829	55,104,644	2,700,000	315,410,473	

The amount of Kshs.313,554,473 intangible asset refers to software projects that are on going thus work in progress and will be amortized once complete.

Postal Corporation of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2021

Current Assets	2020/2021	2019/2020
	<u>Kshs</u>	<u>Kshs</u>

Note 11

Trade and Other Receivables

Service Debtors

Foreign Administration	899,487,405	874,210,913
E M S	464,510,011	397,903,785
Bulky Postage	173,600,759	160,954,214
Money Orders Inter-state	57,972,702	60,343,230
Postapay	177,695,268	177,695,268
Rent Receivable	149,850,838	129,441,487
Rent Deposits	434,889	434,889
Total service Debtors	<u>1,923,551,870</u>	<u>1,800,983,785</u>

Agency:

Kenya post office Savings Bank	1,423,915,405	1,415,242,207
Telkom Kenya Ltd	5,282,544	3,503,101
Telposta Pension Scheme	17,585,070	17,585,070
Other Agency Debtors	48,320,725	60,909,321
Total Agency debtors	<u>1,495,103,744</u>	<u>1,497,239,699</u>

Other Debtors

Tax recoverable	141,335,189	141,335,189
Staff Advances	64,644,790	64,866,489
Other Deposits(court attachments)	33,806,056	25,435,919
Hospitals Deposits	1,400,000	1,400,000
Net Other Debtors	<u>241,186,035</u>	<u>233,037,597</u>
Total Debtors	<u>3,659,841,649</u>	<u>3,531,261,081</u>
Provision for Bad debts	<u>(2,516,380,737)</u>	<u>(2,474,492,347)</u>
Total Net Debtors	<u><u>1,143,460,912</u></u>	<u><u>1,056,768,734</u></u>

Note 12

Cash and Bank Balance

Cash on Hand	48,618,826	25,716,495
Bank Balances	270,506,103	194,168,159
Cash in transit	1,160,216	2,565,635
E-Value	14,742,504	12,756,816
Total	<u><u>335,027,648</u></u>	<u><u>235,207,106</u></u>

Postal Corporation of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2021

Note 13. Trade and other Payables	2020/2021	2019/2020
	<u>Kshs</u>	<u>Kshs</u>
Service Creditors		
Foreign Administration	624,698,324	480,902,690
Money Orders/IFS	97,835,478	104,447,206
Postapay(Revenue Share and Network fe	92,544,072	92,544,072
New Posta pay EFT	1,216,933,882	1,314,805,667
Postal Orders	4,422,640	4,422,640
Key Letter Box Deposits	207,127,600	200,002,838
Rental Deposits	24,793,766	21,200,960
Conveyance of Mail	284,221,448	248,838,809
	<u>2,552,577,211</u>	<u>2,467,164,882</u>
Agencies		
Agency accounts	747,617,203	789,656,927
Kenya Post Office Savings Bank	1,661,241,650	1,663,671,854
	<u>2,408,858,853</u>	<u>2,453,328,782</u>
Other Creditors		
Statutory	507,258,740	585,152,651
Excise duty	1,069,143	321,938
Pensions and Gratuties	1,541,974,206	1,323,528,860
Provision for staff leave	9,628,488	9,616,590
Institutions Insurances	5,880,642	8,746,917
Cooperatives	94,308,800	108,575,458
Bank Staff Loans	259,498,259	305,665,755
Administration	87,969,169	78,198,378
Operations	443,134,295	526,391,129
Rentals	120,281,271	158,119,251
Contingent liabilities	18,989,719	30,986,845
Training	5,435,455	2,306,351
Deferred Projects	96,819,339	96,819,339
Suppliers:		
Other creditors	53,563,881	57,426,457
Miscellaneous	159,435,516	192,402,210
Total others	<u>3,405,246,922</u>	<u>3,484,258,129</u>
Total Current Payables	<u>8,366,682,986</u>	<u>8,404,751,793</u>

Postal Corporation of Kenya
 Annual Reports and Financial Statements
 For the year ended June 30, 2021

14. General reserve	2020/2021 <u>Kshs</u>	2019/2020 <u>Kshs</u>
As at 1 July (Restated)	(6,401,919,707)	(5,158,059,812)
Revaluation adjustments	-	-
Net profit / Deficit for the year	(35,522,187)	(1,243,859,895)
As at 30 June	<u>(6,437,441,894)</u>	<u>(6,401,919,707)</u>
15. Revaluation reserve	2020/2021 <u>Kshs</u>	2019/2020 <u>Kshs</u>
As at 1st July	11,319,095,198	11,319,095,198
Adjustment	(1,341,000)	-
Revaluation gain/adjustment	800,200	-
As at 30th June	<u>11,318,554,398</u>	<u>11,319,095,198</u>

Postal Corporation of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2021

16. Loan Balance

	<u>2020/2021</u>	<u>2019/2020</u>
Opening bank loan balance	19,616,829.00	-
Addition	200,000,000.00	20,000,000.00
Repayment	<u>(20,037,507.83)</u>	<u>(383,171.00)</u>
closing balance	<u>199,579,321.17</u>	<u>19,616,829.00</u>

17. Pension fund

The Corporation operates a defined contribution pension scheme managed by a Board of trustee appointed by both the employer and the employees. Interest of Kshs.138million has been accrued for unpaid pensions.

18. Huduma kenya

The Corporation hosted Huduma Kenya in its premises as agreed in the memorandum of understanding of 17th October,2013 which was to run for five (5) year. PCK is in negotiation with Huduma Kenya for payment of various costs incurred by them through their occupancy in PCK premises.

Postal Corporation of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. IAS 24 Related party disclosure

The objective of this standard is to ensure that PCK financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit and loss may have been affected by the existence of related parties.

Related parties of the Corporation include the National Government, the Board of Directors and key Management personnel. Transactions and benefits made to related parties during the year are as summarized below:

Transactions with related parties

	2020-2021
	Kshs
a) Sales to related parties	
Rent Income from govt. agencies	35,604,000
EMS and agency fees from govt. agencies	125,736,308
BOX RENTALS from govt. agencies	170,000,000
Total	331,340,308
b) Purchases from related parties	
Purchases of electricity water from KPLC & govt service providers	32,632,090
Other expense - audit fees	3,484,640
Rent expenses paid to govt agencies	
Training and conference fees paid to govt. agencies	1,782,277
Bank charges paid to Govt Commercial banks	11,040,341
Total	48,939,348
b) Grants from the Government	
Grants from National Govt	810,000,000
Total	810,000,000

Postal Corporation of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2021

	2020-2021
	Kshs
c) Expenses incurred on behalf of related party	nil
d) Key management compensation	
Directors' emoluments	9,444,359
Compensation to key management	49,360,350
Total	1,576,940,033

20. CAPITAL COMMITMENTS

Capital commitments at the year- end for which no provision has been made in these financial statements are:

	2020-2021
	Kshs
Amounts authorised and contracted for	
Amounts authorizes but not contracted for	
Less: Amounts included in Work in progress	
	NIL
	=====

21. CONTINGENT LIABILITIES

	2020/2021	2019/2020
NSSF arrears	15,796,920	15,796,920
Retrenchment award	<u>3,192,799</u>	<u>15,189,925</u>
	<u>18,989,719</u>	<u>30,986,845</u>

Kshs.15m refers to NSSF arrears unpaid to date while 3.1. Million was a court award for former employees who had sued PCK for wrongful termination of employment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. FINANCIAL RISK MANAGEMENT

PCK's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The company's financial risk management objectives and policies are detailed below:

(i) Credit risk

PCK has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing PCK's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (Continued)

	Total amount Kshs	Fully performing Kshs	Past due Kshs
At 30 June 2021			
Receivables from exchange transactions	899,487,405	440,115,963	459,371,442
Receivables from non exchange transactions	2,759,231,599	604,967,584	2,154,264,015
Bank balances	335,278,283	335,278,283	0
Total	3,993,997,287	1,380,361,830	2,613,635,457
At 30 June 2020			
Receivables from exchange transactions	874,210,913	451,801,151	422,409,762
Receivables from non exchange transactions	2,657,050,169	604,967,584	2,052,082,585
Bank balances	194,168,159	194,168,159	-
Total	3,725,429,241	1,250,936,894	2,474,492,347

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. PCK has significant concentration of credit risk on amounts due from Postbank.

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with PCK's directors, who have built an appropriate liquidity risk management framework for the management of PCK's short, medium and long-term funding and liquidity management requirements. PCK manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

FINANCIAL RISK MANAGEMENT (Continued)

ii) Liquidity risk management (Continued)

	Total
	Kshs
At 30 June 2021	
Trade payables	6,832,580,018
Current portion of borrowings	0
Provisions	0
Deferred income	0
Employee benefit obligation	1,541,974,206
Total	8,374,554,224
At 30 June 2020	
Trade payables	7,081,222,934
Current portion of borrowings	0
Provisions	0
Deferred income	0
Employee benefit obligation	1,323,528,860
Total	8,404,751,793

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by PCK on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect PCK's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to PCK's exposure to market risks or the manner in which it manages and measures the risk.

Postal Corporation of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

a) Foreign currency risk

PCK has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 90 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of PCK's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2021			
Financial assets (investments, cash, debtors)	899,487,405	0	899,487,405
Liabilities			
Trade and other payables	624,698,324	0	624,698,324
Borrowings	0	0	0
Net foreign currency asset/(liability)	274,789,081	0	274,789,081

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management (Continued)

(iii) Market risk (Continued)

Foreign currency sensitivity analysis

The following table demonstrates the effect on the company's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2020-2021			
Euro	2%	14,288,257	14,288,257
USD	2%		
2019-2020			
Euro	2%	0.747million	0.747million
USD	10%		

b) Interest rate risk

Interest rate risk is the risk that PCK's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

**Postal Corporation of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2021**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
Financial Risk Management (Continued)**

iv) Capital Risk Management

The objective of PCK's capital risk management is to safeguard the Board's ability to continue as a going concern. PCK capital structure comprises of the following funds:

	2020-2021	2019-2020
	Kshs	Kshs
Revaluation reserve	11,318,554,398	11,319,095,198
Retained earnings	(6,445,013,032)	(6,401,919,708)
Capital reserve		
Total funds	4,873,541,365	4,917,175,489
Total borrowings	199,579,321	19,616,829
Less: cash and bank balances	335,278,283	235,207,106
Net debt/(excess cash and cash equivalents)	4,538,263,082	4,681,968,383
Gearing	62%	63%

23. INCORPORATION

The Postal Corporation is a statutory body established by an Act of Parliament, PCK Act Number 3 of 1998 as a public Postal licensee and is domiciled in Kenya.

24. EVENTS AFTER THE REPORTING PERIOD

There were no material adjusting and non- adjusting events after the reporting period.

25. CURRENCY

The financial statements are presented in Kenya Shillings (Kshs).

APPENDIX I
PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Plant, Property & Equipment	The management has written to CS Land and EACC	GM/Operations	In progress	2021/2022
2.0	Going Concern	Being addressed through improvement of revenue and cost cutting measures	Postmaster-General	Improving	2021/2022
3.0	Cash and bank balances	Outstanding issues Cleared	-	Resolved	-
4.0	Posta switch	Relevant departments are addressing issues in order to resolve	Head of ICT	In progress	2021/2022
5.0	Trade and Other Receivables	Reconciliation nearing completion	Corporation secretary , GM/ Finance	In progress Telkom resolved	Dec 2021
6.0	Trade and Other Payables	Reconciliation nearing completion	Corporation secretary ,GM Finance	In progress Telkom resolved	Dec 2021

Postal Corporation of Kenya
 Annual Reports and Financial Statements
 For the year ended June 30, 2021

APPENDIX II:

INTER-ENTITY TRANSFERS

ENTITY NAME:				
Break down of Transfers from the State Department of XXX				
FY 2020/21				
				<u>Indicate the FY to which the amounts relate</u>
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	
		24/09/2020	810,000,000	2020/2021
		Total		
b.	Development Grants			
	nil			
c.	Direct Payments			
	nil			
d.	Donor Receipts			
	nil			

31st August 2021



To the Head of Accounts Department
State Department of Broadcasting & Telecommunication
Ministry of ICT, Innovation and Youth Affairs
P.O Box 30025-00100

Touching lives

NAIROBI

RE: CONFIRMATION OF RECEIPT OF DISBURSEMENT FROM THE GOVERNMENT

Above subject refers;

Postal Corporation of Kenya wishes to confirm that we received a disbursement of Kshs.810 Million on 24th September 2020. The reference number for the disbursement is FT20268X2239.

Confirmation of amounts received by Postal Corporation of Kenya as at 30th June 2021

Reference No.	Date disbursed (shs. Million)	Recurrent (A) (shs. Million)	Development (B) (shs. Million)	Inter-Ministerial (shs. Million)	Total D=A+B+C (shs. Million)	Amount received by Postal Corporation of Kenya (shs. Million)	Difference (F)= (D-E) (shs. Million)
FT 20268X2239	24.09.20	810	0	0	810	810	0
Total		810			810	810	

Please confirm that the amounts shown above are correct as per the date indicated.

Head of Accounts Department

Name: Lucy Kamau Sign: [Signature] Date: 31/08/2021

[Signature]
Peter Korir

General Manager Finance

