

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Paper Laid
By Hon. A. Sude, MP (LDM)
on Thursday, Sept. 14, 2017
KMM*



REPORT

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2016**



POSTAL CORPORATION OF KENYA



ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30 JUNE 2016**

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

POSTAL CORPORATION OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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POSTAL CORPORATION OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

KEY PCK INFORMATION

1. Background information

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

2. Principal Activities

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

3. Directors

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

Mr. Wilfred Sang	- Chairman appointed on 24 th June 2016
Mr. Daniel Kagwe	-Acting Chief Executive Officer/Postmaster General
Ms. Pauline Muthigani	-Appointed on 24 th June 2016
Mr. Munyua Waiyaki	-Appointed on 31 st May 2016
Rev. Symon Kiuta	-Appointed on 31 st May 2016
Ms. Mary Maingi	-Appointed on 31 st May 2016
Hon. Ibrahim Mohamed Salat	-Appointed on 31 st May 2016
Eng. Sammy Tangu	- Chairman Retired on 24 th June 2016
Dr. Enock Kinara	- Retired CEO/Postmaster General W.EF 21.06.2016
Mr. Omar Said Soba	-Retired on 31 st May 2016
Ms Mary Basweti	- Retired on 31 st May 2016
Ms.Susan Manyasi	- Retired on 31 st May 2016
Ms.Celestine Okuta	-Retired on 31 st May 2016
Ms.Margaret Mucheru Karuri	-Retired on 31 st May 2016
Mr.John Katiku	- Retired on 3 rd September 2015
Ms.Florence Chelimo	- Retired on 17 th September 2015
Mr.Abdi Adan Suleiman	- Retired on 24 th October 2015
Principal Secretary Ministry of Information, Communication and Technology	
Alternate Director: Henry Mungasia	



POSTAL CORPORATION OF KENYA

Principal Secretary, National treasury

Alternate Director: Mutua Kilaka

4. Corporation Secretary

Mrs. Jane Florence Otieno

P.O. Box 34567 - 00100

Nairobi

Kenya

5. Registered Office

Posta House

Posta Road, Off Kenyatta Avenue

P.O. Box 34567 - 00100

Nairobi,

Kenya

6. Corporate Contacts

Telephone: (254) 3242000

E-mail: info@posta.co.ke

Website: www.posta.co.ke

7. Corporate Bankers

Kenya Commercial Bank

Moi Avenue

P.O. Box 30081

GPO -00100

Nairobi, Kenya

Commercial bank of Africa

P.O.Box 30437

GPO- 00100

Nairobi

Kenya

Barclays Bank of Kenya

P.O Box 30120-00100

Nairobi

Kenya

Co-operative Bank

Co-operative House,

P.O. Box 48231 - 00100, Nairobi Kenya

KEY PCK INFORMATION ...*Continued*

Gitonga Mureithi & Company
Advocates
3rd Floor, Diamond Plaza
4th Parklands Avenue
Masari Road
P.O.Box 76817 - 00620
NAIROBI.

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

Adera & Company
Advocates
5th Floor, Embassy House
Harambee Avenue
P.O.Box 54556 - 00200
NAIROBI.


Morara Apiemi & Nyagito
Advocates
5th Floor, Electricity House
Harambee Avenue,
P. O. Box 6529 - 00100 – 00200,
NAIROBI.





Mose, Mose & Milimo
Co. Advocates,
Comcraft House,
3rd Floor,
P.O Box 9403--00200,
NAIROBI

Sichangi Advocates,
Hill Plaza, 10th Floor,
Ngong Road,
P.O.Box 33223 -00600,
NAIROBI.

POSTAL CORPORATION OF KENYA

BOARD OF DIRECTORS

S/N	Name	Experience
1.	 <p>Mr. Wilfred Sang, Chairman of the Board</p>	<p>He holds a BSc. in Agriculture from the University of Nairobi and an MBA FSS from Sheffield Hallam University from the United Kingdom. Holds a Banking Diploma (ACIB) and Financial Studies Diploma (DipFS) professional qualifications from the Chartered Institute of Bankers – London where he is also a Fellow. He has served with the Kenya Government and Kenya Commercial Bank Ltd for a total of 29 years rising through the ranks to directorship level for a period of 8 years at both Credit and Corporate Functions. He is currently in private business and recently appointed as a member of the board of privatization commission of Kenya..</p>
2.	 <p>Mr. Dan Kagwe Acting CEO & Postmaster General Of . The Postal Corporation Of Kenya</p>	<p>He is an expert in Business process re-engineering and brings in wealth of experience in business development to the corporation.</p>
3.	 <p>Mr. Henry Mungasia- DIRECTOR</p>	<p>Mr. Henry Mungasia is currently the Director Of Administration at the Ministry Of Information Communications and Technology dealing with policy formulation and implementation. He has a wealth of experience spanning 1982 to date. His tenure in public administration has seen him serving in the following boards; Communication Authority Of Kenya (CA), Kenya Catering Levy Trustee Board, Kenya Broadcasting Corporation (KBC) and the Kenya Film Commission. PCK is set to benefit from his diversified portfolio which has since served Kenyans in the environment, tourism and technology sectors.</p>
4.	 <p>Mr. Munyua Waiyaki - DIRECTOR</p>	<p>Mr. Munyua Waiyaki Board member.</p>

5.	 Mr. Mutua Kilaka, CBS, SS-Director	<p>He is a career civil servant since 1977, having worked in most regions in the country in the provincial administration and in the central government. In 2005 he was appointed Financial Secretary at the Ministry of Finance and is currently the Principal Administrative Secretary. Mr. Kilaka brings to the Board a wealth of experience in the public sector, finance and Administration.</p>
6.	 Mary Maingi - Director	<p>She is a results driven, self-motivated and resourceful business leader with over twenty five (25) years proven ability to develop and strengthen management teams in order to maximize company profitability. She is a holder of a Master of Business Administration (MBA) in Marketing Management from the Catholic University of Eastern Africa and a Bachelor's of Commerce in management from the same university. She also holds a Diploma in Insurance from the College of Insurance (K) and a Diploma in Public Relations from the London Chamber of Commerce & Industry (LCCI – UK)..</p>
7.	 PAULINE MUTHIGANI W. – DIRECTOR	<p>Born in 1971. She is also a Director at Savanna East Africa Ltd. Previously worked with KEMRI, Commonwealth Telecommunication Organization (CTO), London UK amongst others.</p>
8.	 DSymon Kyuta Lonyayo-DIRECTOR	<p>He is Currently a Lecturer at Kabarak University, School of Education, Department of Theology & Biblical Studies. Served for two terms as a Board member at The Kenya Broadcasting Corporation (KBC) sitting on various committees of the Board and chaired Audit committee for the two terms. While at the KBC Board, Mr.Lonyayo managed to attend two important workshops on Corporate Governance and Strategic Leadership and change Management.</p>
9.	 Ibrahim Salat- Director	<p>Born in 1960 is a Banker, politician and entrepreneur with over 30 years of work experience. He's a graduate of Washington International University (Bachelors in Business Management in Accounting). Having served in various capacities in the banking career, spanning to over 10 year, he joined politics in 1988 and served two consecutive terms (10 years) as the Member of Parliament for Fafi constituency in Garissa County till 1997 when he quit politics to concentrate on family business. He sat as a Director in various boards of parastatals including Tana catchment Board, Northern water services Board and Kenya Dairy Board. Mr.Salat is trained in Corporate Governance, Finance and Accounting</p>

10.













**J. F. OTIENO- Corporation
Secretary**

Born in 1963. She is the Director Legal services / Corporation Secretary in PCK. She has wide experience in legal affair having worked with Nairobi City Council Kenya Re and IRA as a Corporation secretary

POSTAL CORPORATION OF KENYA

EXECUTIVE MANAGEMENT TEAM

S/N	Name	Experience
1.	 Mr. Dan Kagwe Acting CEO & Postmaster General Of The Postal Corporation Of Kenya	He is an expert in Business process re-engineering and brings in wealth of experience in business development to the corporation.
2.	 J. F. Otieno - Bachelor of Laws, CPS	GM/Legal services
3.	 B. Murerwa MBA (Entrepreneurship) Bachelor of Arts (Economics), CPA (K), CISA.	GM / Business Development and customer service
4.	 T. E Juma Executive MBA , Bachelor of Commerce	GM/ Operations
5.	 S. Muriuki Executive MBA, BCom, CPS	GM Mail services.
6.	 E. Mwaura - MBA , BSC in FSM, Diploma Institutional Management.	GM Courier Services
7.	 J.K Tonui - MBA, Bachelor of Arts, Diploma in HRM	GM Human Resource Development & Administration

8.	 S. Wanjir MBA , BCom, CPA(K), CISA	GM / Finance
9.	 P.N. Gichuki Bachelor of Arts	Manager Corporate Communications & Public Affairs.
10.	 P Akedi – BA, Diploma in Supplies Mgt	Ag. Manager Supply Chain Management
11.	Richard Marusoi	AG Director / ICT
12.	David Fundia	Ag AGM /Audit and Risk management
13.	Washington Opata	Ag GM Payment Services

POSTAL CORPORATION OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

PERFORMANCE HIGHLIGHTS

1. Introduction

The overall financial position of year 2015/2016 is a net loss of KShs (3.283Billion) before tax.

2. Statutory Provision

(a) Audit

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

3. Economic review

The Kenyan economy registered a GDP growth rate of 5.6% in 2015 compared to 5.3% in 2014. Inflation decreased to 6.6% in 2015 from 6.9% in 2014 - *Kenyan economic survey 2015*

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

4. Financial performance

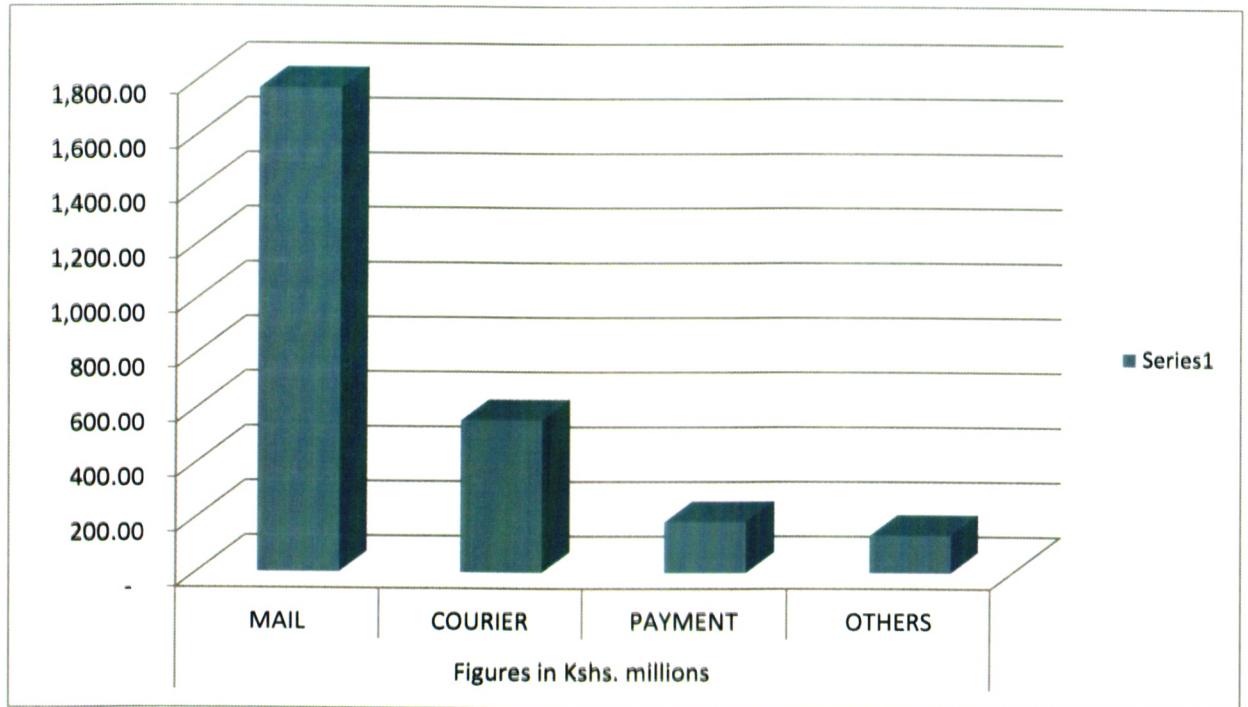
(a) Revenue

The overall Corporation Revenue registered a decrease of 23% in 2015/2016 compared to 3.4% increase in 2014/2015. Significant revenue decrease was registered in the Postage in bulk, Box rentals, EMS, Parcels, , miscellaneous revenue and Agency services.

POSTAL CORPORATION OF KENYA

PERFORMANCE HIGHLIGHTS... *Continued*

Revenue



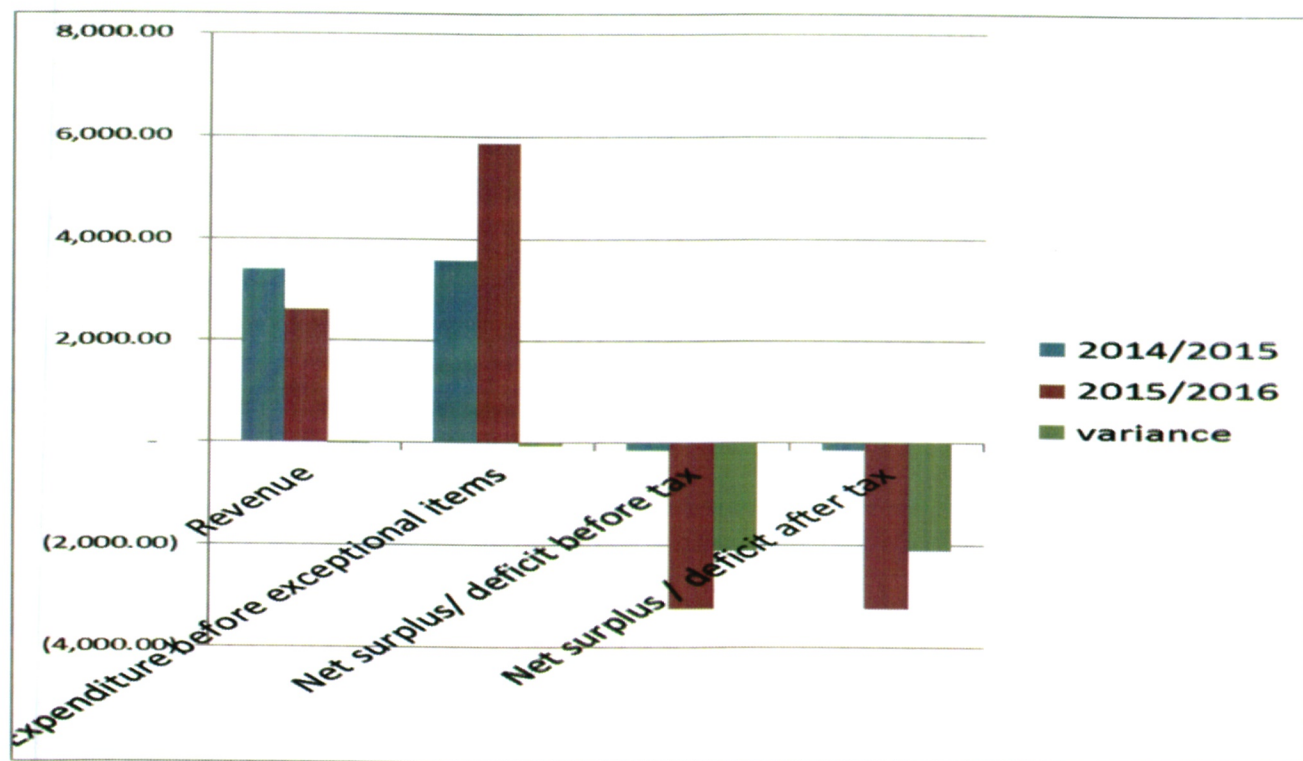
The Table below shows financial performance trend since 2014/2015

Table 1- Financial performance Trend **Kshs. Millions**

Particulars	2015/2016	2014/2015	Variance %
Revenue	2,617	3,399	-23.07
Expenditure before exceptional items	5,921	3,588	-63.78
Net surplus/ deficit before tax	(3,285)	(147)	-2334.
Net surplus / deficit after tax	(3,283)	(147)	-2334.

POSTAL CORPORATION OF KENYA

PERFORMANCE HIGHLIGHTS... *Continued*



(b) Operating Expenditure

Operating expenditure reflected an increase of KShs. 2,333 billion in 2015/2016 financial year compared to 2014/2015. This was as result of increase in provision for bad debts, conveyance, training, international services, staff cost ,other expenses rental, Pension costs and maintenance costs. However, Director Expenses, Operational and provision for depreciation registered a decrease.

(c) Financial Results

The financial results reflected an operating loss of KShs 3.303 billion compared to a loss of Kshs. 188 million in 2014/2015.

(d) Ratios

	<u>2015/2016</u>	<u>2014/2015</u>	
Liquidity ratio:			
Current ratio =	0.29	0.91	Current Assets / Current liabilities
Gearing ratio =	0.55	0.67	Total liabilities/ Total Assets
Return on investment	- 33.83	-0.0251	Net Profit /loss before tax/Total Assets



KEY PCK INFORMATION ...Continued

8. Independent Auditors

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

9. Principal Legal Advisers

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

Robson Harris & Company,
Advocates,
6th Floor, Transnational Plaza,
City Hall Way,
P.O.Box 67845-00200,
NAIROBI.

Ameli Inyangu & Partners
Advocates,
2nd Floor, KCS House,
Mama Ngina Street,
P. O. Box 11203 – 00100,
NAIROBI.

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

Kipkenda & Company
Advocates,
Off Riverside Drive
Behind 9 Riverside Building
P.O. Box 56832 - 00200,
NAIROBI.

POSTAL CORPORATION OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

CORPORATE GOVERNANCE STATEMENT

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

The Board of Directors

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

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

The role of the Board includes to:

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

POSTAL CORPORATION OF KENYA

CORPORATE GOVERNANCE STATEMENT... *Continued*

Board Committees

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

i. Audit 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.

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.

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POSTAL CORPORATION OF KENYA

CORPORATE GOVERNANCE STATEMENT... *Continued*

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

iv. Research, Technology 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.

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 2016

	<u>2015/2016</u>	<u>2014/2015</u>
Main / Special Board	14	13
Audit and risk management	4	6
Human Resource	8	7
Finance and Technical	6	6
Task force on PCK properties	0	0
Research, Technology and Innovation	4	5
Joint Research, Technology and Innovation/ Finance & Technical	1	2

POSTAL CORPORATION OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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 2016.

1. 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.

The number of staff at year end was 3,435 .

2. Results

	<u>KShs</u>
Loss before Tax	(3,283, 583,741)
Less Corporation Tax	-
Net Profit/ (Loss) after Tax for the Year	<u>(3,283,583,741)</u>

3. Directors

Directors who served are set out on page **iii**.

4. Auditors

The Auditors for the Corporation are as reported on page **v** and will continue being in office in the coming financial year 2016/2017

5. Corporation Secretary

The Corporation Secretary is on page **iv**

6. Approval of Financial Statements

The financial statements of the Corporation were approved on 30th September 2016

By Order of the Board



Corporation Secretary

Nairobi

30 September 2016

POSTAL CORPORATION OF KENYA

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

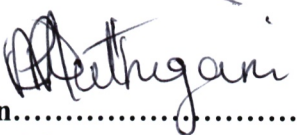
The Directors are responsible for the preparation and presentation of financial statements, which give a true and fair view of the state of affairs of Corporation for and as at the end of the financial year (period) ended on 30 June 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the PCK; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Corporation; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Directors accept responsibility for Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the public management Act and the State Corporations Act. The Directors are of the opinion that the Corporation's financial statements give a true and fair view of the state of Corporation's transactions during the financial year ended 30 June 2016, and of Corporation's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained by the Corporation, which have been relied upon in the preparation of Corporation's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

PCK's financial statements were approved by the Board on 30th September 2016 and signed on its behalf by:

For: 
Chairman.....
Mr. Wilfred Sang

Postmaster General
Mr. Dan Kagwe 

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REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON POSTAL CORPORATION OF KENYA FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Postal Corporation of Kenya as set out on pages 1 to 24, which comprise the statement of financial position as at 30 June 2016, and the statement of profit and loss, statement of changes in reserves, statement of cash flows, and 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.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Auditing Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Report of the Auditor-General on the Financial Statements of Postal Corporation of Kenya for the year ended 30 June 2016

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Adverse Opinion

1.0 Plant, Property and Equipment

1.1 Property not Registered in the Name of the Corporation

As similarly reported in the previous years, the property, plant and equipment balance of Kshs.8,166,014,477 as at 30 June 2016, includes forty five (45) properties measuring 16.3623 hectares and valued at Kshs.34,440,000 which are not registered in the name of the Corporation as per the detailed list below:-

No	Name	LR. Number	Vested 1999	Acreage Ha/Acreas	Ownership Documents	Status	Valuation as at 2007 Kshs.
1	Chepkorio Trading Centre - Plot	Chepkorio	Vested 1999	0.12	LOA	undeveloped	70,000.00
2	Chaani	MN/VI/1088	Vested 1999	0.23	Transfer doc. Available	Developed /Chaani post office	1,300,000.00
3	Nairobi West	37/272/5	Approved for vesting	0.1148(0.28367)	LOA	Undeveloped	
4	Kagio Market - Plot	Kagio Market - Plot	Vested 1999	0.114(0.2817)	LOA/ Title acquisition in	Undeveloped/ Leased	600,000.00
5	Kangari Post Office	Kangari	Vested 1999	0.125	PDP	Developed/ Kangari post office	400,000.00
6	Kangundo Post Office	Kangundo / 52317/115A	Vested 1999	0.105	LOA	Developed/ Kangundo post office	1,500,000.00
7	Khayega Post Office	Khayega	Vested 1999	0.34(0.84015)	LOA	Developed /Khayega post office	700,000.00
8	Kikambala Post Office	Kikambala	Vested 1999	0.5	PDP	Developed/ Vacant	500,000.00
9	Kilimambogo Market - Plot	Kilimambogo Market - Plot	Vested 1999	0.0530(0.13096)	LOA	Undeveloped	200,000.00
10	Kithimani Town - Plot	Kithimani Town - Plot	Vested 1999	0.15(0.37065)	LOA	Undeveloped	500,000.00
11	Kivingoni Market - Plot	Kivingoni Market - Plot	Vested 1999	0.05(0.12355)	LOA	Undeveloped	70,000.00
12	Kobujoi Trading Centre - Plot	Kobujoi Trading Centre - Plot	Vested 1999	0.37(0.91428)	LOA	Undeveloped	600,000.00

13	Litein Post Office	Litein	Vested 1999	0.12(0.29652)	LOA	Developed /Litein post office	500,000.00
14	Lokitaung Post Office	Lokitaung	Vested 1999	0.5	PDP	Developed /Lokitaung post office	150,000.00
15	Londiani Post Office	Londiani 548/x/5	Vested 1999	0.5653	PDP	Developed/ Londiani post office	500,000.00
16	Makongeni Post Office	Makongeni (Nairobi) 209/6825/2	Vested 1999	0.0832	LOA	Developed /Makongeni post office	500,000.00
17	Malindi Post Office	Malindi /1726	Vested 1999	0.1319(0.32593)	LOA	Developed/ Malindi post office	4,500,000.00
18	Mandera Post Office	Mandera	Vested 1999	0.38 ha	LOA	Developed/ Mandera post office	150,000
19	Masii Post Office Plot	Masii plot 46	Vested 1999	0.44(1.08725)	LOA	Undeveloped	500,000
20	Mbale Post Office	PLOT 58 Mbale Town	Vested 1999	0.550(1.35906)	LOA	Developed/ Maragoli post office	1,200,000
21	Mbembani Market - Plot	Mbembani Market - Plot 410	Vested 1999	0.05	LOA	Undeveloped	65,000
22	Menengai Post Office	Menengai Post Office	Vested 1999	3	PDP	Developed/ Menengai post office	900,000
23	Mosoriot Trading Centre - Plot	Mosoriot Trading Centre - Plot	Vested 1999	0.18	LOA	Undeveloped	200,000
24	Moyale Post Office	Moyale	Vested 1999	0.4237	LOA	Developed/ Moyale post office	1,500,000
25	Mtito Andei Post Office	Mtito Andei 23916	Vested 1999	0.2(0.49421)	LOA	Developed/ Telephone exchange	700,000
26	Mutyambo Market - Plot	Mutyambo Market - Plot 408	Vested 1999	0.08(0.19768)	LOA	Undeveloped	85,000
27	Narok Post Office	Narok /167	Vested 1999	0.5	PDP	Developed/ Narok post office	2,000,000
28	Rongai Post Office	Rongai	Vested 1999	0.2(0.49421)	LOA	Developed /Rongai post office	600,000
29	Rumuruti Post Office	Rumuruti 3671/VI/I	Vested 1999	1.44	LOA	Developed/ Rumuruti post office	200,000
30	Siaya Post Office	Siaya	Vested 1999	0.17(0.42007)	LOA	Developed/ Siaya post office	850,000

31	Songhor Post Office	Songhor	Vested 1999	0.774(1.91258)	LOA	Developed/ Songhor post office	250,000
32	Sotik Post Office	Sotik 7288/103	Vested 1999	0.459(1.1342)	LOA	Developed/ Sotik post office	700,000
33	Sugotek Trading Centre - Plot	Sugotek	Vested 1999	0.18(0.44478)	LOA	Undeveloped	260,000
34	Ukwala Post Office	Ukwala	Vested 1999	0.1635(0.40401)	LOA	Developed /Ukwala post office	250,000
35	Vipingo Post Office	Vipingo	Vested 1999	0.2	LOA	Developed /Vipingo post office	120,000.00
36	Voi Town Plot	Voi /1956/1871	Vested 1999	0.2286(0.56487)	LOA/Title acquisition in progress	Undeveloped	650,000
37	Garissa Post Office	Garissa Plot 111303/Temp /45	Vested 1999	0.3583(0.88537)	LOA	Developed/ Garissa post office	3,000,000
38	Butere Post Office plot	Butere 1664/60	Vested 2006	0.304	LOA	Undeveloped	500,000
39	Kabiyet Plot	Kabiyet Plot 25988	Vested 2006	0.1500(0.37065)	LOA/ Title acquisition in progress	Undeveloped	300,000
40	Changamwe Post Office	MN/V1/2971	Vested 1999	0.49	PDP	Developed/ Changamwe post office	2,000,000
41	Chebiemet	Unsurveyed Plot Chebiemet	Vested 2006	0.44(1.08725)	LOA	Undeveloped	700,000
42	Ortum	Unsurveyed Plot Ortum	Vested 2006	0.29(0.71659)	LOA	Undeveloped	270,000
43	Maseno Post Office	Maseno/934/ 22	Vested 1999	0.209(0.51644)	LOA	Developed/ Maseno post office	900,000
44	Homa Bay Plot LR 1432/315	Homa Bay Plot LR 1432/315	vested 1999	0.33(0.81543)	LOA	Undeveloped	1,500,000
45	Likoni Post Office	MSA SOUTH/1/61	Vested 1999	0.5	LOA	Developed /Likoni post office	1,500,000
	TOTAL			16.3623			34,440,000

Although the management has contracted a firm for provision of land surveying, identification of beacons and title acquisition services for five (5) post offices, it is not clear when such services will be carried out on the remaining forty (40) post offices.

1.2 Property Excluded from the Financial Statements

1.2.1 Unsurveyed/Unvalued Land

In addition, the balance of Kshs.8,166,014,477 also excludes sixteen (16) unsurveyed/unvalued parcels of undetermined value of land situated throughout the country as tabulated below:-

	County	Town	Land/Building	Ownership	Value
1	Nairobi hill next to Ministry of Agriculture	209/13685(Nairobi provincial surveyor	Land only	No document	No value
2	Homa Bay County	Homa bay Plot BLK 3/13	Land Only	No document	No value
3	Homa Bay County	Homa bay Plot BLK 3/64		No document	No value
4	Elgeyo Marakwet	Iten 65617/11/207	Land Only	No document	No value
5	Kandara Muranga	Unsurveyed Plot Kandara	Land only	No document	No value
6	Kapsoas Uasin Gishu	Unsurveyed Plot Kapsoas	Land only	No document	No value
7	Kirinyaga/Makutano	Makutono Market	Land only	No document	No value
8	Rhamu mandera	Mandera	Land only	No document	No value
9	Bomet	Bomet Town	Land only	No document	No value
10	Nairobi	Ruai town	Land only	No document	No value
11	Tharaka Nithi	Maua Town	Land only	No document	No value
12	Siaya P.O Plot	Siaya Town-LR.No.12045/113	Land only	No document	No value
13	Machakos Town Plot Machakos	No ref Number	Land only	No document	No value
14	Wajir County	Unsurveyed Plot	Land only	No document	No value
15	Lamu County	Mgange post office	Land only	No document	No value
16	Laikipia County	Lumuria town	Land only	No document	No value

1.2.2 Also the balance of Kshs.8,166,014,477 excludes nine (9) grabbed/encroached parcels of land measuring 2.6465 hectares as detailed below:

No.	LR No.	Location	Area in hectares	Remarks
1.	LOA Ref No 51277/111/27	Jogoo RD P.O. Plot	0.160ha	Grabbed and already developed
2.	LR No 37/272/5	NRB West Plot	0.0459ha	Plot grabbed and re-allocated to Julius Keru Njoroge/Grace W Keru matter in court.
3.	KSM/Mun/Block 6/73	Kisumu P.O Plot	0.0836ha	Plot re-allocated to a private individual and is already developed.
4.	LOA Ref no 209163/A/40	Merewet P.O Plot	0.1665ha	Double allocation
5.	KSM 8/496	Kisumu	1.11ha`	The plot was formerly block 8/257 before excision of 0.19ha to equator bottlers on advice of the Commissioner of Lands.
6.	209/11921	Nairobi Upper Hill	0.51ha	Double allocation
7.	LOA Ref No 62416/36	Kabiyet	0.1500ha	Double allocation
8.	LR No 11021	Kipkabus	0.0465ha	Half of the plot has been excised off by a Mr. L.M.K. Kiptui and developed
9.	Parcel No 32	Lumakanda	0.371ha	Double allocation
	Total		2.6465	

In the circumstances, it has not been possible to ascertain the ownership status of the forty five (45) properties valued at Kshs.34,440,000, undetermined value of sixteen (16) un-surveyed land and nine (9) grabbed/encroached parcels of land and whether the property, plant and equipment balance of Kshs.8,166,014,477 as at 30 June 2016 is fairly stated.

2. Going Concern

The Corporation recorded a deficit of Kshs.3,283,583,741 (2014/2015 – deficit of Kshs.139,730,861) thereby reducing the accumulated reserves from Kshs.457,680,177 in year 2014/2015 to negative Kshs.2,825,903,564 as at 30 June 2016. The Corporation has attributed the poor performance to decrease in revenue from postage in bulk, rental boxes, EMS, parcels and loss of agency services due to competition in the industry. Further, the current liabilities of Kshs.5,355,805,983 exceeded the current assets of Kshs.1,543,807,884 resulting to a negative working capital of Kshs.3,811,998,099 as at the same time. The Corporation was therefore unable to meet its financial obligations as and when they fall due. The Corporation was technically insolvent and its financial

statements have therefore been prepared on a going concern basis on the assumption of continued financial support from the Government and creditors.

3. Posta Switch

As previously reported, on 3 May 2012 the Corporation entered into a contract with a company for supply, delivery, installation and commissioning of financing agency solution at a contract cost of USD.893,800 equivalent to Kshs.76,151,760. The contract was denominated in dollar and the contract cost continues to rise due to the fluctuation in Kenya Currency against the dollar. Although management is fully aware of the fluctuation of the contract cost, no evidence of budgetary provisions made to cater for the anticipated increase was availed for audit review. As at the time of audit, the financing agency solution had not been fully operationalized. The project was officially launched on 31 July 2013. It was however observed that out of the various services it was supposed to offer, only agency banking module was operational. Other services which includes mobile money transfer, card based transaction, e-commerce online disbursement of funds, E-payment for utility services, E-Ticketing and E-Government services were not operational. The stakeholders may not obtain any value for money from this project. Further, the solution which is an intangible asset is not shown separately in these financial statements in line with International Accounting Standard No 38 which requires that for each class of intangible asset, be disclosed, separated, the useful life, amortization rate and gross carrying amount. It is not clear and management has not explained if and when the project will be commissioned.

4. Trade and Other Receivables

4.1 Telkom (K) Ltd Receivables

As previously reported, the trade and other receivables balance of Kshs.1,038,544,496 as at 30 June 2016 includes debts on account of Telkom Kenya Limited of Kshs.623,882,122 in respect of service debts which have been owing since 1999. Further, debts in respect of money order inter-state of Kshs.49,151,378, Postapay of Kshs.177,695,268 and rent receivable of Kshs.29,279,092 all totalling Kshs.256,125,738 have remained uncollected over the years and therefore their full recoverability is doubtful. However, no evidence has been provided about efforts being taken to recover the debts.

4.2 Foreign Administration and EMS Receivables

As previously reported, the trade and other receivables balance of Kshs.1,038,544,496 as at 30 June 2016 includes foreign administration and EMS receivables totalling Kshs.899,374,766, the bulk of which has been outstanding for between nine (9) and twenty six (26) years and whose provision for bad and doubtful debts has not been made in these financial statements. Although the management has indicated that international receivables are regulated by Universal Postal Union (UPU) and are collectable or enforceable, no evidence of debts forwarded to UPU for collection or enforcement was availed for audit review as at the date of this report.

4.3 Kenya Post Office Savings Bank Agency

As previously reported, the trade and other receivables balance of Kshs.1,038,544,,496 includes an amount of Kshs.1,379,349,549 in respect to uncollected agency charges accumulated over a period of sixteen (16) years on account of Kenya Post Office Savings Bank. However no evidence of any efforts being taken to recover the debts was availed for audit review.

In the circumstances, it has not been possible to confirm that the trade and other receivables balance of Kshs.1,038,544,496 as at 30 June 2016 is fairly stated.

4.4 Tax Recoverable

Further, included in the trade and other receivables balance of Kshs.1,038,544,496 as at 30 June 2016 is an amount of Kshs.201,041,139 in respect of tax recoverable from the Kenya Revenue Authority (KRA) some of which date back to 2013 and have not been recovered as at the date of this report. It is not clear and the management has not explained why a claim has not been lodged to recover the outstanding amount from KRA.

4.5 Outstanding Staff Advances

Included in the account balance of trade and other receivables of Kshs.1,038,544,496 is an amount of Kshs.50,597,226 in respect of outstanding staff advances and un-surrendered imprests. The balance of Kshs.50,597,226 also includes advances totalling Kshs.4,363,340 whose supporting analyses were not availed for audit review.

In the circumstances, it has not been possible to ascertain the full recoverability of the trade and other receivable balance of Kshs.1,038,544,496 and that the balance is fairly stated as at 30 June 2016.

5. Trade and Other Payables

5.1 Kenya Post Office Savings Bank

As previously reported, the trade and other payables balance of Kshs.5,355,805,983 as at 30 June 2016 includes Kshs.1,583,342,071 being outstanding debt owed to Kenya Post Office Savings Bank. However, no reconciliation was availed to confirm the accuracy of the outstanding debts.

5.2 Postapay Payables

As previously reported, the trade and other payables balance of Kshs.5,355,805,983 also includes an amount of Kshs.92,544,072 which has been outstanding on an account of Postapay for more than six (6) years. Further, and as similarly reported in 2014/2015 the management is in dispute with a firm which was offering the services and an accounting firm was appointed to carry out an investigation to determine the correct amount payable. However, no report on the investigation was availed for audit review as at the date of this audit report.

5.3 Deferred Projects

As previously reported, the trade and other payables balance of Kshs.5,355,805,983 as at 30 June 2016 also includes deferred projects bills totalling Kshs.96,819,339. Although the management has explained that the amount represents dues not paid on some projects that were started sometimes back but were later abandoned after it was established that the projects were not feasible, these bills have not been supported with the relevant records as at the date of this report.

In the circumstances, it has not been possible to ascertain the validity and accuracy of the trade and other payables balance of Kshs.5,355,805,983 and that the balance is fairly stated as at 30 June 2016.

6. Unclear Procurement Procedures - Enterprise Resource Planning

(i) Background

- As previously reported in 2014/2015, the Corporation advertised for supply, implementation and commissioning of an Integrated Enterprise Resource Planning (ERP) tender number PCK/PRO/40/2013/2014. The contract was awarded to the lowest bidder at a contract price of \$2,975,955 (Kshs.284,709,615). It was however noted that two different contracts were signed between the Corporation and the Contractor at USD2,975,955 (Kshs.284,709,615) exclusive of VAT and another by a Consortium at USD 2,975,955 inclusive of VAT. The contract was dated 2 January 2014. None of the two contracts contained a clause cancelling the other contract. The following anomalies were also noted:-
- Both contracts have a payment clause which requires the Corporation to pay 40% of the implementation cost upon the execution of the contract.
- The two contracts had the same contract date and the contract did not define specific deliverables and no commencement and completion dates of the project and penalties for non delivery were disclosed while details of user requirements were not availed for audit review.

- (ii) As similarly reported in 2014/2015, on 30 January 2014, the Board of directors approved and authorized the management to hire a consultant to oversee the implementation of the ERP project at a cost of Kshs.5,000,000 which was not budgeted for.

The Corporation paid the consultant in eight (8) installments of Kshs.1,287,310 all totalling Kshs.10,298,480 over and above the Board approved figure of Kshs.5,000,000. The payment of Kshs.10,298,480 could have been avoided since the Corporation has qualified ICT personnel who could oversee the project. The payment of Kshs.10,298,480 was therefore done in contravention of Section 26 (3)(a) of the Public Procurement and Disposal Act 2005 which states that all procurement shall be made within the approved

budget of the procuring entity. Although the Corporation had paid the contractor Kshs.216,043,649 as at the time of our audit, no status of the progress report to indicate the level of completion of the project was availed for audit review.

(iii) Disclosure

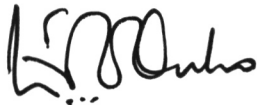
The total amount paid for the ERP software amounting to Kshs.302,838,717 as at 30 June 2016 is shown as intangible asset Work in progress. However the management did not comply with International Accounting Standards No.38 (paragraph 118 and 122) which requires that for each class of intangible asset, be disclosed, separately as follows:-,

- (i) The useful life,
- (ii) Amortization rate
- (iii) Gross carrying amount.

In the circumstances, it has not been possible to confirm the propriety of expenditure totaling Kshs.302,838,717 paid on the intangible assets as at 30 June 2016.

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, the financial position of the Postal Corporation of Kenya as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and do not comply with the Postal Corporation Act, 1998 of the Laws of Kenya.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

13 July 2017

Postal Corporation of Kenya
Statement of Profit and Loss
For the year ended 30 June 2016

		2015/2016 KSHS	<u>RESTATED</u> 2014/2015 KSHS	2014/2015 KSHS
	NOTES			
Operating Revenue	2	2,617,217,827	3,428,460,264	3,399,371,233
Operating Expenditure				
Administration cost	3	172,794,503	169,100,723	169,100,723
Staff costs	3a	2,255,868,876	2,225,484,998	2,225,484,998
Directors Expenses	4	14,997,587	22,590,900	22,590,900
Operational cost	5	170,212,228	231,166,017	231,166,017
Conveyance of Mail	6	106,644,580	97,972,120	91,572,468
International Services	7	74,361,113	66,172,416	66,172,416
Rental expenses	8	220,621,341	226,516,568	226,516,568
Maintenance expenses	9	42,982,763	24,451,585	24,451,585
Training	10	28,207,137	18,566,794	18,566,794
Telephone and Data Communic	11	48,103,828	45,514,979	45,514,979
Pension Expense	12	178,259,084	142,174,466	145,942,968
Other expenses	13	129,120,747	142,059,991	142,059,991
Provision for bad debts	14	2,377,792,581	-	-
Provision for Depreciation	15.a	101,226,618	178,930,027	178,930,027
Total		<u>5,921,192,984</u>	<u>3,590,701,583</u>	<u>3,588,070,433</u>
Operating Surplus/(Deficit)		(3,303,975,157)	(162,241,319)	(188,699,200)
Non Operating revenue	16	35,613,638	42,985,695	61,866,382
Non Operating expenditure	17	(13,567,000)	(11,727,599)	(11,727,599)
Finance Charge	18	(1,655,222)	(8,747,638)	(8,747,638)
		<u>20,391,416</u>	<u>22,510,458</u>	<u>41,391,145</u>
Net surplus/(Deficit) before tax		(3,283,583,741)	(139,730,861)	(147,308,055)
Corporation tax		-	-	-
Net Surplus/(Deficit) after Tax		<u>(3,283,583,741)</u>	<u>(139,730,861)</u>	<u>(147,308,055)</u>

Postal Corporation of Kenya
Statement of Financial Position
as at 30 June 2016

		2015/2016 KSHS	RESTATED 2014/2015 KSHS	2014/2015 KSHS
Assets				
Non- Current Assets				
Plant Property and Equipment	15.a	7,863,175,760	2,891,273,162	3,157,135,829
Intangible asset	15.b	302,838,717	265,862,667	17,500,000
		8,166,014,477	3,157,135,829	3,174,635,829
Current Assets				
Inventories	19	10,320,834	9,171,726	9,171,726
Trade and Other Receivables	20	1,038,544,496	3,463,765,041	3,478,177,227
Cash and Bank	21	494,942,554	748,911,048	748,911,048
		1,543,807,884	4,221,847,815	4,236,260,001
Total Assets		9,709,822,361	7,378,983,644	7,410,895,830
Reserves and Liabilities				
Current liabilities				
Trade & Other payables	22	5,355,805,983	4,667,104,667	4,685,866,519
Taxation		-	-	-
		5,355,805,983	4,667,104,667	4,685,866,519
Reserves				
General reserve	23(a)	(2,825,903,564)	457,680,177	470,830,511
Revaluation Reserve	23(b)	7,179,919,943	2,254,198,800	2,254,198,800
Total Reserves		4,354,016,378	2,711,878,976	2,725,029,311
Non Current liabilities				
Long Term Bank Loan	24	-	-	-
Total Non Current Liabilities		-	-	-
Total Reserves and Liabilities		9,709,822,361	7,378,983,643	7,410,895,830

The Financial Statements on pages 1 to 24 were approved by the Board of Directors on 30th September 2016 and were signed on its behalf by;

Chairman.....
 Date: 26/06/2017

Postmaster General.....
 Date: 26/06/2017



Postal Corporation of Kenya
Statement of Changes in Reserves
For the Year Ended 30 June 2016

	Note	General Reserve	Revaluation Reserve	Total
As at 1 July 2014(Restated)		571,671,891	2,279,237,947	2,850,909,838
Net profit / Deficit for the year		(139,730,861)	-	(139,730,861)
Revaluation adjustments	25	25,039,147	(25,039,147)	-
PRIOR YEAR ADJ		700,000	-	700,000
As at 30 June 2015		457,680,177	2,254,198,800	2,711,878,977
Revaluation gain				-
Restated		457,680,177	2,254,198,800	2,711,878,977
Revaluation Gain	27		4,925,721,143	4,925,721,143
				-
				-
Net profit / Deficit for the year		(3,283,583,741)	-	(3,283,583,741)
				-
				-
As at 30 June 2016		(2,825,903,564)	7,179,919,943	4,354,016,379

Postal Corporation of Kenya
Statement of Cashflows
For the year ended 30 June 2016

	2015 /2016	2014 /2015
	<u>KSHS</u>	<u>KSHS</u>
Cash receipts from customers	2,956,389,053	3,506,551,113
Cash paid to suppliers and staff	<u>(3,391,480,963)</u>	<u>(3,467,413,016)</u>
Total cash flow from operating activities	(435,091,911)	39,138,097
Tax paid	<u>-</u>	<u>-</u>
Cash generated from operations	(435,091,911)	39,138,097
CASHFLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of assets	3,633,511	6,180,560
Purchase of Property and Equipments	15.a (150,038,077)	(361,735,561)
Interest income	9,878,953	41,117,337
Cash advanced to staff	<u>22,361,075</u>	<u>(44,339,215)</u>
Net cashflow from Investing activities	<u>(114,164,538)</u>	<u>(358,776,879)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Loan Repayments	24 (29,166,667)	(50,000,000)
Loan interests	18 (1,655,222)	(8,747,638)
Dividend paid	<u>-</u>	<u>-</u>
Net cashflow from financing activities	<u>(30,821,889)</u>	<u>(58,747,638)</u>
Net Increase /Decrease in PCK Cash	(580,078,338)	(378,386,421)
Cash to/ from others	326,109,844	(1,532,584,270)
Cash and Cash Equivalent at beginning	748,911,048	2,659,881,739
Cash and Cash Equivalent at year end	<u><u>494,942,554</u></u>	<u><u>748,911,048</u></u>

Postal Corporation of Kenya

Statement of Comparison of Budget and Actual Amounts

For the year ended 30 June 2016

Description	Original budget	Adjustment	Final budget	Actuals	Performance difference
	2015/2016	2015/2016	2015/2016	2015/2016	
REVENUE	4,564,443,000	(571,843,000)	3,992,600,000	2,652,831,465	(1,339,768,535)
					-
Less OPERATING EXPENDITURE					-
Staff costs	2,367,093,000	14,875,000	2,381,968,000	2,255,868,876	126,099,124
Administration cost	189,835,000	(18,668,000)	171,167,000	172,794,503	(1,627,503)
Directors Expenses	20,460,000	(3,300,000)	17,160,000	14,997,587	2,162,413
Operational cost	239,042,000	9,179,000	248,221,000	170,212,228	78,008,772
Conveyance of Mail	133,050,000	(22,450,000)	110,600,000	106,644,580	3,955,420
International Services	60,000,000	16,920,000	76,920,000	74,361,113	2,558,887
Rental expenses	282,900,000	2,674,000	285,574,000	220,621,341	64,952,659
Maintenance expenses	42,020,000	1,748,000	43,768,000	42,982,763	785,237
Training	32,706,000	2,522,000	35,228,000	28,207,137	7,020,863
Telephone and Data Communic	57,240,000	(4,894,000)	52,346,000	48,103,828	4,242,172
Pension Expense	156,500,000	22,000,000	178,500,000	178,259,084	240,916
Other expenses	191,502,000	(1,951,000)	189,551,000	129,120,747	60,430,253
Finance Charge	18,000,000	(1,200,000)	16,800,000	1,655,222	15,144,778
	3,790,348,000	17,455,000	3,807,803,000	3,443,829,008	363,973,992
Provision for Depreciation				101,226,618	
Non operating expenditure				13,567,000	
Provision for bad debts				2,377,792,581	
				5,936,415,207	
Surplus/(Deficit) for the year					(3,283,583,741)

POSTAL CORPORATION OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The financial statements have been prepared in accordance with the PFM Act, PCK Act Number 3 of 1998, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

(b) **Pronouncements from the Public Sector Accounting Standards board (PSASB)**

The Public Finance Management (PFM) Act 2012 section 192 provided the setting up of the Public Sector Accounting Standards Board (PSASB)

The Cabinet Secretary, national Treasury gazetted members of the Board through Gazette Notice No. 1199 of 28th February 2014 following the board approval on the adoption of the international reporting standards (IFRS) for state organs operating as commercial entities, the Corporation has adopted the pronouncements made. The pronouncements made by the Board have no significant impact on the Corporation financial statements as it has been preparing its financial statements in accordance to IFRS.

(c) **Critical Accounting Judgement and Key Sources of Estimate uncertainty**

(i) **Critical judgements in applying accounting policies**

Impairment

At the end of each reporting period, the organization reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of assets is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the organization estimates the recoverable amount of the cash generating unit to which the asset belongs.

(ii) **Key source of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing material adjustments to the carrying amount of assets and liabilities within the next financial year.

POSTAL CORPORATION OF KENYA
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIEScontinued

Property and Equipment

Critical estimates are made by directors in determining the useful lives and residual values for property and equipment based on the intended use of the assets and economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilization of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

Contingent liabilities

The Organization is exposed to various contingent liabilities in the normal course of business including pending legal cases. The directors evaluate the status of these exposures on a regular basis to assess the probability of the Organization incurring related liabilities. However, provisions are only made in the financial statements where, based on the directors' evaluation, a present obligation has been established.

Going Concern

The financial statements are prepared on a going concern basis in the belief that funds will continue to be received from the Corporation service provision to customers.

(d) Adoption of new and revised International Financial Reporting Standards (IFRS)

- i) New Standards and amendments to published standards effective for the year ended 30th June 2014.

The following new and revised IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements

Amendments to IFRS 10, IFRS 12 AND IAS 27 Investment Entities.

The amendments to IFRS 10 define an investment entity and require as reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with investment management services.
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirement for investment entities.

Application of these standards has not had any impact on the disclosures or the amounts recognized in these financial statements as the company is not an investment entity (assessed based on the criteria set out in IFRS 10 as at 1 January 2014).

Amendments to IAS 32 off setting Financial Assets and Financial Liabilities

POSTAL CORPORATION OF KENYA

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIEScontinued

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legal enforceable right of set-off' and simultaneous realization and settlement. The amendments have been applied retrospectively.

As the company does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognized in the company's financial statements.

Amendments to IAS 36 Recoverable amount Disclosures for non financial assets

The amendments to IAS 36 remove the requirements to disclose the recoverable amounts of cash generating unit (CGU) to which good will and other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendment introduces additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less cost of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 fair value measure.

As the Corporation does not have any cash generating units (CGU) to which good will or other intangible assets with indefinite useful lives had been allocated, the application of the amendments has had no impact on the disclosures or on the amounts recognized in the Corporation's financial statements.

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The application of the new standard has not had any impact on the disclosures or the amounts recognized in these financial statements as the Corporation does not have any derivatives.

ii) **Relevant new and amended standards and interpretation in issue but not yet effective in the year ended 30th June 2014**

IFRS 9 effective for annual periods beginning on or after 1 January 2018

IFRS 15 effective for annual period beginning on or after 1 January 2017

POSTAL CORPORATION OF KENYA

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIEScontinued

(e) IAS 24 Related party disclosure

The objective of this standard is to ensure that the entity 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:

	Shs.'000'	shs.'000'
	2015/16	2014/15
(a) Payment to Board of Directors in note No. 4 page14	14, 997	22,590
(b) Senior Management emoluments	65,460	63,843

(f) Reserves (Statement of Changes in Equity)

Revaluation reserve

The revaluation reserve relates to the revaluation surplus determined in the revaluation of all Corporation Assets carried in 2006 by the firm of Njihia Muoka Rashid co. Ltd

General reserve

The General reserves represent retained earnings generated by the Corporation in discharging its commercial operations as provided in PCK Act Number 3 of 1998 and the changes resulting from disposal of Properties and Motor vehicles.

(g) Financial risk management

The Corporation operations exposes it to the following financial risks that Management and the Board continuously manages to reduce their potential adverse effects in the overall corporate performance.

(i) Market Risk

(a) Foreign Exchange Risk

The Corporation trade with all the Universal Postal Union members in exchange of Mails, Parcel and Money transfer therefore getting exposed to foreign exchange arising from different currencies and settlement duration.

On Mail, Parcel and Airline settlement, the UPU protocol provides computation of transactions in special drawing right (SDR) and conversion of real settlement of all other currencies in US Dollar or Euros.

The Corporation maintains a hard currency account in Dollars to make settlement and deposits payments received thus reducing the impact of settlement in multiple currencies.

POSTAL CORPORATION OF KENYA

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIEScontinued

(b) Interest rate

In the year under review, the Corporation had a bank loan whose interest payments was at 14%.

(ii) Credit Risk

Account receivable – Credit sales extended to Corporation customers are based on annual and quarterly evaluation of credit worthy of individual clients and strict collection policy.

A review of credit terms (credit limits guarantee and performance bond) is done from the year to minimize exposure of general economic performance to forestall a potential loss.

(iii) Liquidity Risk

The Corporation prepares a quarterly and annual cash flow plan for all commitments to ensure and reduce any exposure to these risks.

The Corporation operations are highly transacted in cash therefore increasing the level of liquidity in all outlets to meet cash requirements at short intervals. Review of authorized cash maximum in outlets is evaluated to forestall chances of zero liquidity in the network.

(h) Revenue Recognition

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

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

POSTAL CORPORATION OF KENYA
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(i) 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 by Swatz Developers limited on 1st July 2016 .

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.

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

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

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

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

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

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

(k) Inventories

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



POSTAL CORPORATION OF KENYA

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIEScontinued

(l) **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 as per prevailing policy and public finance management act.

(m) **Taxation**

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

(n) **Cash and cash equivalents**

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

(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 taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

(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 PCK or not, less any payments made to the suppliers.



POSTAL CORPORATION OF KENYA

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIEScontinued

(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.

(r) Provision for staff leave pay

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

(s) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which PCK operates that is Kenya Shillings (Kshs). Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates.

(t) Comparative figures IAS 1

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

(u) 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, 2016

POSTAL CORPORATION OF KENYA

For the year ended 30 June 2016 (Con

Note 2 Revenue Analysis	2015/2016 KShs	RESTATED	
		2014/2015 KShs	2014/2015 KShs
Postal Revenue			
Sale of stamps	207,296,779	273,186,572	273,186,572
Parcels	173,458,941	190,654,418	190,654,418
Postage in bulk	578,597,598	1,056,184,739	1,056,184,739
Receipts from Foreign admin	152,265,030	173,177,240	161,805,536
EMS Service	383,099,514	436,200,618	418,483,291
Money order commisson	50,200,816	51,252,836	51,252,836
Box/ bag Rentals	831,658,986	900,822,807	900,822,807
EFT commission	10,056,421	10,742,966	10,742,966
Posta Despatch	4,246,627	-	-
Direct Mail Marketing	373,228	-	-
Miscellaneous	22,603,758	34,385,355	34,385,355
TOTAL	2,413,857,698	3,126,607,551	3,097,518,520
Post shops			
Posta shops	1,806,988	1,683,963	1,683,963
Total	1,806,988	1,683,963	1,683,963
Total postage and Post shops	2,415,664,686	3,128,291,513	3,099,202,482
Rent receivable	76,032,148.74	64,142,033.87	64,142,033.87
AGENCY SERVICES			
(KPOSB) Post Office Savings Banl	1,709,475.00	1,910,276.00	1,910,276.00
PCK and Teleposta Pension schem	832,695.00	2,518,291.00	2,518,291.00
Kenya power Commisions	14,087,254.00	45,270,805.00	45,270,805.00
Customs and Clearing commisions	27,959,545.84	17,463,778.50	17,463,778.50
Multichoice, Mpesa and Airtel	8,717,567.87	17,256,378.74	17,256,378.74
Intergration fee	5,065,783.70	-	-
Huduma Sercices commissions	31,027,134.25	37,890,098.56	37,890,098.56
Cash Transfer Programs Commissi	-	93,452,309.73	93,452,309.73
Nairobi Water and Other Regional	36,121,536.34	20,264,779.84	20,264,779.84
Total Agency Revenue	125,520,992	236,026,717	236,026,717
Total Operating Revenue	2,617,217,827	3,428,460,264	3,399,371,233
Non Operating Revenue	35,613,638	42,985,695	61,866,382
Grand Total	2,652,831,465	3,471,445,960	3,461,237,616



POSTAL CORPORATION OF KENYA

Notes to the financial statements For the year ended 30 June 2016 (Cont'd)

3. Administration Expense

	2015/2016	2014/2015
	<u>Kshs</u>	<u>Kshs</u>
Consultancy Charges	14,641,984	14,304,738
Bank Charges	13,321,060	21,384,243
Office Administration	12,137,692	14,020,880
Contingencies	3,461,708	743,413
Insurance	28,095,072	15,264,604
Security Charges	69,968,890	72,596,092
General Stores	9,566,671	14,514,635
Vehicle Running costs	21,094,881	15,649,553
Others	506,545	622,565
Total	<u><u>172,794,503</u></u>	<u><u>169,100,723</u></u>

3a. Staff costs

Salaries and Allowances	1,476,788,589	1,429,120,215
Travel subsistence allowances	121,243,942	127,126,657
House Allowance	485,049,894	500,719,704
Medical	171,886,152	173,563,091
Staff leave expense	900,298	(5,044,669)
Total	<u><u>2,255,868,876</u></u>	<u><u>2,225,484,998</u></u>

4. Directors Expenses

Directors Sitting Allowance	6,843,600	7,032,000
Directors Honorarium allow.	960,000	960,000
Directors Traveling Subsistence(Local)	3,486,693	2,505,752
Directors Traveling Subsistence(External)	1,877,246	7,092,300
Directors Mileage Allowance	548,477	185,607
Directors Incidental Expenses(Training, Medical Insurance)	1,221,571	4,755,242
Telephone and other expenses	60,000	60,000
Total	<u><u>14,997,587</u></u>	<u><u>22,590,900</u></u>

POSTAL CORPORATION OF KENYA

Notes to the financial statements For the year ended 30 June 2016 (Cont'd)

5. Operational Expense

	2015/2016 <u>Kshs</u>	2014/2015 <u>Kshs</u>
Postal Agencies	4,806,533	4,609,424
Office Administration Expenses	9,754,105	10,264,311
General Stores	19,765,673	41,912,748
Supply of Stamps	3,049,838	1,198,623
Vehicles Running Expenses	95,418,132	129,441,068
Compensation	1,920,986	2,130,614
Operating License	30,389,070	32,517,104
Freight charges	<u>5,107,892</u>	<u>9,092,125</u>
Total	<u>170,212,228</u>	<u>231,166,017</u>

6. Conveyance of mail	2015/2016 <u>Kshs</u>	RESTATED 2014/2015 <u>Kshs</u>	2014/2015 <u>Kshs</u>
Road	9,394,052	10,124,423	10,124,423
Air Internal	75,206	2,621,199	2,789,443
Air International	<u>97,175,321</u>	<u>85,226,499</u>	<u>78,658,603</u>
TOTAL	<u>106,644,580</u>	<u>97,972,120</u>	<u>91,572,468</u>

7. International Services Exp	2015/2016 <u>Kshs</u>	2014/2015 <u>Kshs</u>
International Parcel Services -	51,377,237	49,934,279
International Mail Services -	<u>22,983,876</u>	<u>16,238,137</u>
Total	<u>74,361,113</u>	<u>66,172,416</u>



POSTAL CORPORATION OF KENYA

Notes to the financial statements For the year ended 30 June 2016 (Cont'd)

8. Rental Expense

	2015/2016	2014/2015
	<u>Kshs</u>	<u>Kshs</u>
Site Rentals	2,389,988	11,968,161
Office Rentals	<u>218,231,353</u>	<u>214,548,407</u>
Total	<u>220,621,341</u>	<u>226,516,568</u>

9. Maintenance

Office Equipment	9,882,281	3,610,376
ICT and Building Repairs	<u>33,100,482</u>	<u>20,841,209</u>
Total	<u>42,982,763</u>	<u>24,451,585</u>

10. Training Expense

Training DIT	5,911,329	4,556,509
Local Training	<u>22,295,808</u>	<u>14,010,285</u>
Total	<u>28,207,137</u>	<u>18,566,794</u>

11. Telephone and Data Communication

Telephone lines	12,510,139	14,563,441
Mobile lines	4,114,453	3,862,013
Data communication	<u>31,479,236</u>	<u>27,089,524</u>
Total	<u>48,103,828</u>	<u>45,514,978</u>

POSTAL CORPORATION OF KENYA

Notes to the financial statements For the year ended 30 June 2016 (Cont'd)

12. Pension expense	2015/2016	RESTATED 2014/2015	2014/2015
	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
Pension fund	154,564,166	137,715,203	141,483,705
Gratuity	23,694,918	4,459,263	4,459,263
Total	<u>178,259,084</u>	<u>142,174,466</u>	<u>145,942,968</u>

13. Other Expenses	2015/2016	2014/2015
	<u>Kshs</u>	<u>Kshs</u>
Furniture and Fittings (Rep:	80,349	1,114,883
Electricity/Water	50,688,034	34,879,425
Staff Awards	265,902	9,337,495
PCK Sporting Activities	22,158,285	18,237,660
Legal Expenses	7,205,192	9,345,995
Health, Safety Environment	13,560,266	13,076,230
Shows and Exhibitions	4,742,371	10,972,445
Electronic Media Adverts	10,008,403	26,229,972
Print Media Adverts	12,588,567	13,510,541
Outdoor advertisement	4,064,626	1,733,796
Entertainment	0	17,825
Audit fees	2,625,000	2,500,000
Tax on fridge benefits	1,133,752	1,103,725
Total	<u>129,120,747</u>	<u>142,059,991</u>

14. Provision for bad debts

The Corporation has increased the provision for bad debts by Kshs. 2.377 billion to take care of international debtors that have been outstanding for over 7 years and long outstanding EMS, Posta pay and other debtors that have been outstanding for over one year.

	2015/2016	2014/2015
Opening	344,792,436	344,792,436.00
Provision for bad debts	2,377,792,581	-
TOTAL provision	<u>2,722,585,017</u>	<u>344,792,436.00</u>

POSTAL CORPORATION OF KENYA

15. a. Property, Plant and Equipment

	LAND	BUILDINGS	VEHICLES	OFFICE EQUIP.	COMPUTERS	W. I. P	TOTAL
At 1/7/2014	867,841,876	1,641,353,258	304,265,581	877,548,268	209,677,619	129,797,200	4,030,483,802
ADDITIONS		3,839,415	19,848,992	69,222,757	89,841,572	178,982,825	361,735,561
Revaluation							-
DISPOSALS			(10,395,180)				(10,395,180)
AS AT 30/06/15	867,841,876	1,645,192,673	313,719,393	946,771,025	299,519,191	308,780,025	4,381,824,181
DEPRECIATION AS AT 1.7.2014	-	235,650,603	189,968,326	519,953,444	109,945,119	-	1,055,517,491
CHARGE FOR THE YEAR	-	32,739,065	31,994,583	87,754,827	26,441,552	-	178,930,027
DISPOSALS	-	-	(9,759,163)	-	-	-	(9,759,163)
AS AT 30/06/15	-	268,389,668	212,203,745	607,708,271	136,386,671	-	1,224,688,355
NET BOOK VALUE:							
AS AT 30 JUNE 2015	867,841,876	1,376,803,006	101,515,648	339,062,754	163,132,520	-	3,157,135,827
WIP INTANGIBLES							-
RESTATE BOOK VALUE AS AT 30.06.2015	867,841,876	1,376,803,006	101,515,648	339,062,754	163,132,520	-	3,157,135,827
	LAND	BUILDINGS	MOTORS VEHICLES	FURNITURE AND OFFICE EQUIP.	COMPUTERS	W. I. P	GRAND TOTAL
COST/VALUATION	867,841,876	1,645,192,673	313,719,393	946,771,025	299,519,191	-	4,073,044,158
VALUATION AS AT 01.07.2015	5,303,450,000	2,067,540,000	225,220,000	172,043,751	48,740,550	-	7,816,994,301
Additions		1,717,693	34,939,152	35,860,619	77,520,613	-	150,038,077
Disposals			(2,630,000)				(2,630,000)
Cost as at 30.06.2016	5,303,450,000	2,069,257,693	257,529,152	207,904,370	126,261,163	-	7,964,402,378
DEPRECIATION							-
BAL BFWD 01/07/2015							-
Charge for the year	-	(41,350,800)	(32,923,333)	(17,204,375.00)	(9,748,110)	-	(101,226,618)
NET BOOK VALUE							
AS AT 30.06/2016	5,303,450,000	2,027,906,893	224,605,819	190,699,995	116,513,053	-	7,863,175,760
AS AT 30 JUNE 2015	867,841,876	1,376,803,006	101,515,648	339,062,754	163,132,520	42,917,358	2,891,273,160

Note. The opening balances for PPE are based on revaluation done by Swatz Developers w.e.f 01/07/2015

15 b. Intangible asset

The balance of Kshs. 17.5 m intangible asset in 2015/2016 which was later renegotiated to Kshs. 16.m refers to procurement of Posta rangers football club from Rangers football club . The payment was later stopped and management made a decision to remove the asset and related amortization from books of accounts

WORK IN PROGRESS

INTANGIBLE ASSET

		RESTATED	
POSTA RANGERS	30.06.2016	30.06.2015	30.06.2015
POSTA PESA	-	-	17,500,000.00
ERP	55,104,644.00	35,658,608.00	-
	247,734,073.00	230,204,059.00	-
	302,838,717.00	265,862,667.00	17,500,000.00

POSTAL CORPORATION OF KENYA

Notes to the financial statements For the year ended 30 June 2016 Cont'd)

16. Non-Operating Revenue	2015/2016	RESTATED	
		2014/2015	2014/2015
	Kshs	Kshs	Kshs
Bank Interest	10,657,637	36,560,272	36,560,272
Staff loans interest	142,702	385,710	385,710
Sale of Tender documents	458,764	367,750	367,750
Gain/Loss on disposal of Vehicles	3,633,511	5,544,543	5,544,543
Sale of Stores	851,870	127,420	127,420
Foreign exchange gain	19,869,153	0	18,880,687
Total	<u>35,613,638</u>	<u>42,985,695</u>	<u>61,866,382</u>

17. Non Operating Expenditure

Interest on excess deposit (KPOSB)	<u>13,567,000</u>	<u>11,727,599</u>
	<u>13,567,000</u>	<u>11,727,599</u>

18. Finance charge

Interest on long term loan	<u>1,655,222</u>	<u>8,747,638</u>
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POSTAL CORPORATION OF KENYA

Notes to the financial statements For the year ended 30 June 2016 (Cont'd)

Current Assets	2015/2016	RESTATED 2014/2015	2014/2015
	Kshs	Kshs	Kshs
Note 19			
Inventories			
Inventories	10,320,834	9,171,726	9,171,726
Total Inventories	10,320,834	9,171,726	9,171,726
Note 20			
Trade and Other Receivables			
Service Debtors			
Foreign Administration	687,554,005	650,493,503	650,493,503
E M S	211,820,761	191,867,714	287,887,372
Bulky Postage	125,716,546	210,505,962	210,505,962
Money Orders Inter-state	49,151,378	67,720,030	67,720,030
Postapay	177,695,268	177,695,268	177,695,268
Rent Receivable	29,279,092	49,313,939	235,926,732
Rent Deposits	687,698	687,698	687,698
Total service Debtors	1,281,904,747	1,348,284,114	1,630,916,564
Agency:			
Kenya post office Savings Bank	1,379,349,549	1,370,861,314	1,235,855,807
Telkom Kenya Ltd	623,882,122	587,754,610	403,648,938
Telposta Pension Scheme	39,479,275	49,854,120	49,854,120
Other Agency Debtors	134,521,533	124,853,400	143,734,087
Total Agency debtors	2,177,232,478	2,133,323,443	1,833,092,952
Other Debtors			
Customs and Excise	-	-	-
Tax recoverable	201,041,139	201,041,139	201,041,139
Staff Advances	50,597,226	74,900,031	74,900,031
Other Deposits(court attachments,T	48,953,922	49,608,749	45,140,247
Telkom Kenya Ltd	-	-	36,478,729
Hospitals Deposits	1,400,000	1,400,000	1,400,000
Net Other Debtors	301,992,288	326,949,920	358,960,147
Total Debtors	3,761,129,513	3,808,557,477	3,822,969,663
Provision for Bad debts	(2,722,585,017)	(344,792,436)	(344,792,436)
Total Net Debtors	1,038,544,496	3,463,765,041	3,478,177,227
Note 21			
Cash and Bank Balance			
Cash on Hand	93,460,465	109,117,124	109,117,124
Bank Balances	293,112,743	563,330,150	563,330,150
Cash in transit	34,283,409	36,438,706	36,438,706
E-Value	74,085,937	40,025,069	40,025,069
Total	494,942,554	748,911,048	748,911,048

POSTAL CORPORATION OF KENYA

Notes to the financial statements For the year ended 30 June 2016 (Cont'd)

Note 22 . Current Payables	RESTATED		
	2015/2016	2014/2015	2014/2015
	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
Trade and other Payables			
Service Creditors			
Foreign Administration	289,493,366	229,520,374	229,520,374
Money Orders/IFS	171,834,960	170,520,065	170,520,065
Postapay(Revenue Share and Network fees)	92,544,072	92,544,072	92,544,072
New Posta pay EFT	622,401,282	105,103,056	105,103,056
Postal Orders	4,422,640	4,421,740	4,421,740
Key Letter Box Deposits	174,328,069	166,102,730	166,102,730
Rental Deposits	2,666,580	2,666,580	2,666,580
Telkom Kenya -Telegraph and telephone	-	-	380,992,893
Conveyance of Mail	96,416,315	64,229,638	65,491,490
Total Service Creditors	<u>1,454,107,284</u>	<u>835,108,254</u>	<u>1,217,362,999</u>
Agencies			
Agency accounts	736,461,531	955,832,978	1,099,347,718
Telkom Kenya	644,502,942	643,653,133	-
Kenya Post Office Savings Bank	<u>1,583,342,071</u>	<u>1,525,705,785</u>	<u>1,525,705,785</u>
	<u>2,964,306,545</u>	<u>3,125,191,896</u>	<u>2,625,053,503</u>
Other Creditors			
Statutory	45,696,753	57,735,585	57,735,585
Bank Loan(Current portion)	-	29,166,667	29,166,667
Excise duty	1,303,864	581,224	581,224
Pensions and Gratuties	268,166,826	70,473,854	70,473,854
Retrenchment costs	3,600,215	3,600,215	3,600,215
Provision for staff leave	7,206,540	6,306,242	6,306,242
Institutions Insurances	8,369,721	5,415,916	5,415,916
Cooperatives	56,291,985	18,767,865	18,767,865
Bank Staff Loans	56,079,164	53,700,904	53,700,904
Telkom kenya ltd	-	-	90,625,530
Administration	32,501,663	7,170,481	7,170,481
Operational	79,057,449	86,915,725	86,915,725
Rentals	24,622,119	18,671,562	47,191,532
Contigent liabilities	60,357,673	74,357,673	74,357,673
Training	1,326,535	1,923,262	1,923,262
Deferred Projects	96,819,339	96,819,339	96,819,339
Suppliers:			
Other creditors	79,392,967	84,251,049	84,251,049
Miscellaneous	<u>116,599,341</u>	<u>90,946,954</u>	<u>108,446,954</u>
Total others	<u>937,392,155</u>	<u>706,804,517</u>	<u>843,450,018</u>
Total Current Payables	<u>5,355,805,983</u>	<u>4,667,104,667</u>	<u>4,685,866,519</u>

POSTAL CORPORATION OF KENYA

Notes to the financial statements for the year ended 30 June 2016(Cont'd)

23(a). General reserve	2015/2016	RESTATED	2014/2015
		2014/2015	
As at 1 July (Restated)	457,680,177	571,671,891	571,671,891
Revaluation adjustments	-	25,039,147	25,039,147
Net profit / Deficit for the year	(3,283,583,741)	(139,730,861)	(147,308,055)
Prior Year		700,000	21,427,527
Prior Year Adjustment		-	
As at 30 June	(2,825,903,564)	457,680,177	470,830,511

23(b). Revaluation reserve

	2015/2016	2014/2015
As at 1 July (Restated)	2,254,198,800	2,279,237,947
Revaluation gain	4,925,721,143	(25,039,147)
As at 30 June	7,179,919,943	2,254,198,800

24. Long Term Bank Loan

	2015/2016	2014/2015
	KShs	KShs
Balance at the beginning of the year	29,166,668	79,166,668
Repayment during the year	29,166,668	(50,000,000)
Short term Portion	-	(29,166,668)
Balance at the end of the year	0	0

25. Revaluation adjustments

This relates to prior year disposal of fixed assets that had earlier been revalued

Land	-	3,800,000.00
Building	-	3,450,666.00
Motor vehicles	-	17,788,481.00
Total	-	25,039,147.00

Notes to the financial statements
For the year ended 30 June 2016 (Cont'd)

26. Prior Year Adjustment

	2015/2016	2014/2015
International Account services billings	-	11,371,704
Conveyance of international mail exper	1,261,852	(7,661,504)
Ems revenue	-	17,717,327
(Item Restated in 2014/2015)	<u>1,261,852</u>	<u>21,427,527</u>

27. Revaluation gain

The corporation's noncurrent assets were revalued w.ef 1st July 2015
the revaluation gain was computed as follows

Valuation as at 01.07.2015	7,816,994,301
Net Book values as 30.06.2015	<u>2,891,273,158</u>
revaluation gain	<u>4,925,721,143</u>

Revaluation gain

28. Pension fund

The Corporation operates a defined contribution pension scheme managed
by a Board of trustee appointed by both the employer and the employee

29. Contingency liability

The Corporation was directed by court to deposit Kshs. 48,953,922
over several court cases where former staff had sued PCK over their
retirement.

30. Merging of Account

Postbank and Telkom accounts under receivables and payables
have been merged and appropriate consolidated running balance recognised.
The comparatives were also adjusted accordingly.

31. Currency

The Financial statements are presented in Kenya Shillings (KShs)

