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REPUBLIC OF KENYA



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DIRECTOR LEGISLATIVE AND PROCEDURAL SERVICES

REPORT

OF

PARLIAMENT OF KENYA LIBRARY

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
POSTAL CORPORATION OF KENYA

FOR THE YEAR ENDED  
30 JUNE 2014



# POSTAL CORPORATION OF KENYA



*Touching lives*

KENYA NATIONAL AUDIT OFFICE  
P. O. Box 30084 - 00100, NAIROBI.  
26 MAY 2015

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## ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2014

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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 2014

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# POSTAL CORPORATION OF KENYA

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

### KEY PCK INFORMATION

#### 1. Background information

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

#### 2. Principal Activities

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

#### 3. Directors

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

Cyrus Maina	- Chairman- Appointed May 2009	- Revoked 10 Jan 2014
Eng. Sammy Tangus	- Chairman	- Appointed 10 Jan 2014
Dr. Enock Kinara	- Chief Executive	
Ms Florence Chelimo		
Ms. Pauline Muthigani		
Steven Oboso		
Abdi Adan		
John Katiku		

Principal Secretary Ministry of Information ,Communication and Technology.

Alternate Director: Henry Mungasia

Principal Secretary, National treasury

Alternate Director: Mutua Kilaka

#### 4. Corporation Secretary

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

# POSTAL CORPORATION OF KENYA

## KEY PCK INFORMATION ...*Continued*

### 5. Registered Office

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

### 6. Corporate Contacts

Telephone: (254) 3242000  
E-mail: [info@posta.co.ke](mailto:info@posta.co.ke)  
Website: [www.posta.co.ke](http://www.posta.co.ke)

### 7. Corporate Bankers

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

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

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

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

### 8. Independent Auditors

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

# POSTAL CORPORATION OF KENYA

## KEY PCK INFORMATION ...*Continued*

### 9. Principal Legal Advisers

#### **Chief Principal legal adviser**

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

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








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




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

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

# POSTAL CORPORATION OF KENYA








## BOARD OF DIRECTORS







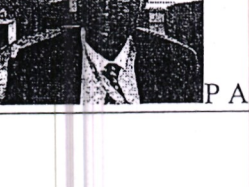
S/N	Name	Experience
1.	 Eng. SAMMY TANGUS - CHAIRMAN BSC. CIVIL ENGINEERING - UNIVERSITY OF NAIROBI	He was born in 1966. He is a member of the Engineers Board of Kenya (EBK) and a Corporate Member of the Institute of Engineers of Kenya (IEK). Eng. Tangus has worked in government, private and international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

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

# POSTAL CORPORATION OF KENYA

## EXECUTIVE MANAGEMENT TEAM

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

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

# POSTAL CORPORATION OF KENYA

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

### PERFORMANCE HIGHLIGHTS

#### 1. Introduction

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

#### 2. Statutory Provision

##### (a) Audit

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

#### 3. Economic review

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

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

#### 4. Financial performance

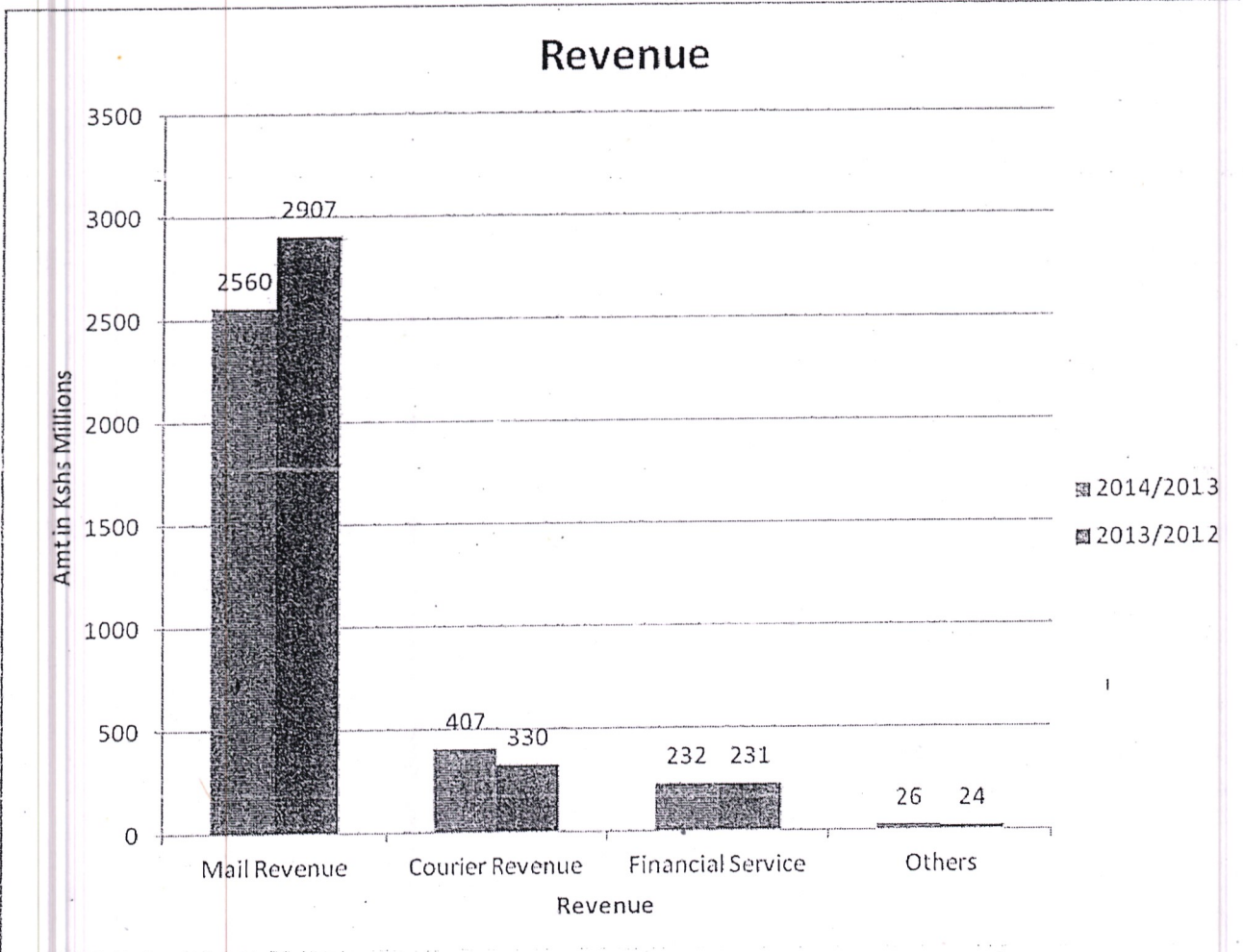
##### (a) Revenue

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

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

# POSTAL CORPORATION OF KENYA

## PERFORMANCE HIGHLIGHTS... *Continued*



# POSTAL CORPORATION OF KENYA

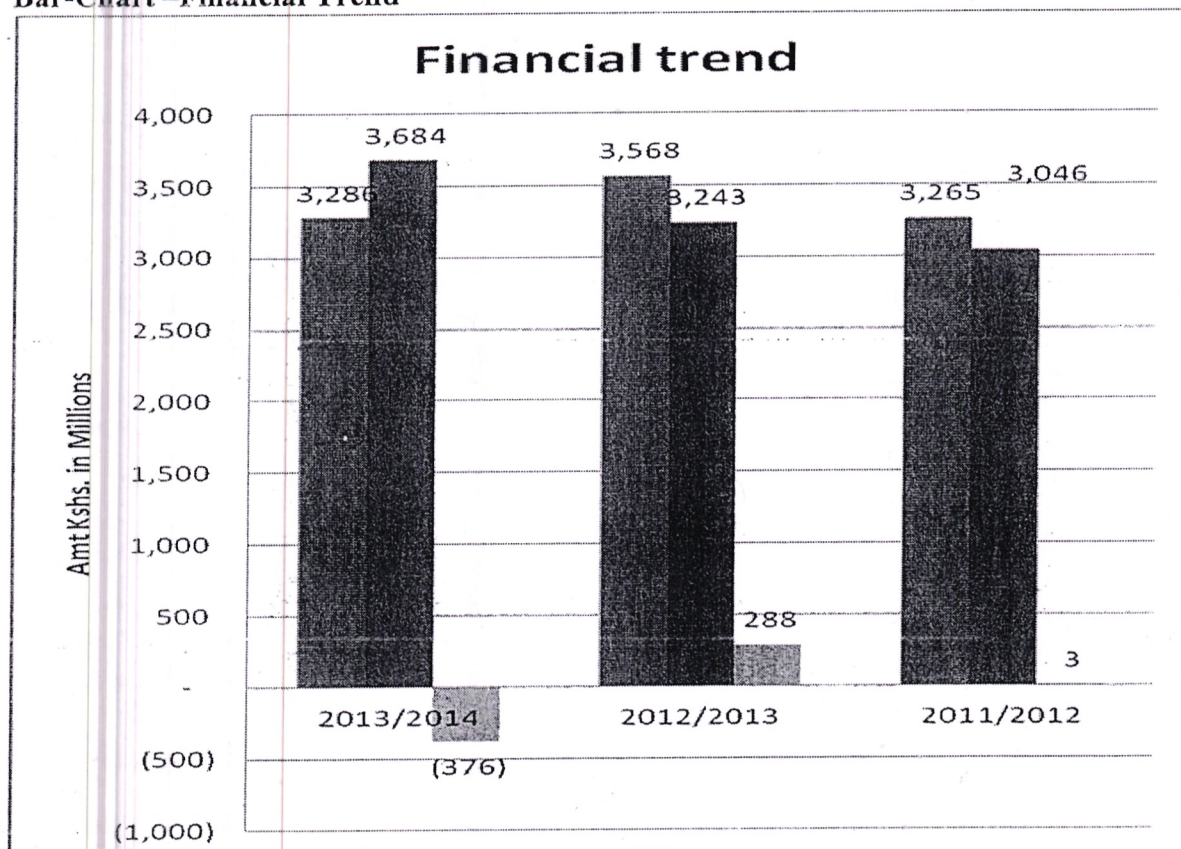
## PERFORMANCE HIGHLIGHTS... *Continued*

The Table below shows financial performance trend since 2011/2012

**Table 1- Financial performance Trend**  
Kshs. 'million'

Particulars	2011/2012	2012/2013	2013/2014	% Decline 2013/14
Revenue	3,265	3,568	3,286	(7.9)
Expenditure before exceptional Items	3,046	3,243	3,684	(13.5)
Net Surplus /(Deficit) before Tax	219	287.9	(376.6)	(230)
Tax Provision	30.3	114.4	-	100
Net Surplus/(Deficit) after Tax	(27.7)	173.4	(376.6)	(317)

**Bar-Chart –Financial Trend**



# POSTAL CORPORATION OF KENYA

## PERFORMANCE HIGHLIGHTS... *Continued*

### (b) Operating Expenditure

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

### (c) Financial Results

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

### (d) Ratios

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

# POSTAL CORPORATION OF KENYA

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

### CORPORATE GOVERNANCE STATEMENT

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

#### The Board of Directors

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

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

The role of the Board includes to:

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

# POSTAL CORPORATION OF KENYA

## CORPORATE GOVERNANCE STATEMENT... *Continued*

### Board Committees

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

#### **i. Audit Committee**

The mandate of the Committee includes:

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

#### **ii. Human Resource Committee**

The duties of the Committee include:

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

#### **iii. Finance and Technical Committee**

The functions of the Committee include to:

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

# POSTAL CORPORATION OF KENYA

## CORPORATE GOVERNANCE STATEMENT... *Continued*

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

### **Board/Committee meetings**

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

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

# POSTAL CORPORATION OF KENYA

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

### REPORT OF THE DIRECTORS

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

#### 1. Principal Activities

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

The number of staff at year end was 3642.

#### 2. Results

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

#### 3. Directors

Directors who served are set out on page vi.

#### 4. Auditors

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

#### 5. Corporation Secretary

The Corporation Secretary is on page iii.

#### 6. Approval of Financial Statements

The financial statements of the Corporation were approved on 29<sup>th</sup> September 2014

By Order of the Board



Corporation Secretary

Nairobi

29<sup>th</sup> September 2014

# POSTAL CORPORATION OF KENYA

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

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

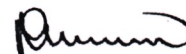
Nothing has come to the attention of the Directors to indicate that the Corporation will not remain a going concern for at least the next twelve months from the date of this statement.

#### Approval of the financial statements

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



**Eng. Sammy Tangus**  
Chairman  
Date:



**Florence Chelimo (Mrs)**  
Director  
Date:

# REPUBLIC OF KENYA

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



P.O. Box 30084-00100  
NAIROBI

## KENYA NATIONAL AUDIT OFFICE

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

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#### REPORT ON THE FINANCIAL STATEMENTS

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

#### **Management's Responsibility for the Financial Statements**

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

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

#### **Auditor-General's Responsibility**

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

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

to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

### **Basis for Qualified Opinion**

#### **1. Property, Plant and Equipment**

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

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

#### **2. Trade and Other Receivables**

##### **2.1 Telkom (K) Ltd Receivables**

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

##### **2.2 Foreign Administration and EMS Receivables**

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

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

### **2.3 Kenya Post Office Savings Bank Agency**

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

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

## **3. Trade and Other Payables**

### **3.1 Kenya Post Office Savings Bank**

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

### **3.2 Postapay Payables**

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

### **3.3 Deferred Projects**

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

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

#### 4. Cash and Bank Balances

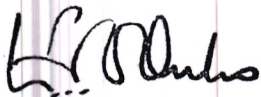
The Corporation's cash and bank balance of Kshs.2,659,881,739 as at 30 June 2014 includes the following reconciling items from various bank accounts as summarized below:-

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

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

#### Qualified Opinion

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



Edward R. O. Ouko, CBS  
AUDITOR-GENERAL

Nairobi

30 April 2015

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

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

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

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

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

Eng. Sammy Tangus

Chairman.....

Date :

Dr. Enock O. Kinara

Postmaster General.....

Date:

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

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

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

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

# POSTAL CORPORATION OF KENYA

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

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

#### (b) Revenue Recognition

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

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Inventories

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

### (d) Trade and other receivables

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

### (e) Taxation

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

### (f) Cash and cash equivalents

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

### (g) Borrowings

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

### (h) Trade and other payables

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (i) Retirement benefit obligations

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

### (j) Provision for staff leave pay

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

### (k) Exchange rate differences

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

### (l) Comparative figures IAS 1

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

### (m) Subsequent events

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

# Postal Corporation of Kenya

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

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

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

**3. Administration Expense**

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

**3a. Staff costs**

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

**4. Directors Expenses**

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

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

<b>5. Operational Expense</b>	<b>2013/ 2014</b>	<b>2012/ 2013</b>
	<b><u>Kshs</u></b>	<b><u>Kshs</u></b>
Postal Agencies	5,180,659	6,095,618
Incidental expenses	9,589,640	7,458,462
General Stores	54,166,098	50,435,939
Supply of Stamps	330,337	1,708,473
Vehicles Running Expenses	126,919,223	139,786,702
Compensation	1,572,389	1,940,663
Operating License	32,534,199	10,965,342
Freight charges	2,467,680	185,850
<b>Total</b>	<b><u>232,760,224</u></b>	<b><u>218,577,047</u></b>
<b>6. Conveyance of mail</b>	<b>2013/ 2014</b>	<b>2012/ 2013</b>
	<b><u>Kshs</u></b>	<b><u>Kshs</u></b>
Road	9,599,775	9,878,789
Air Internal	3,359,909	2,625,642
Air International	128,228,037	137,695,645
<b>TOTAL</b>	<b><u>141,187,721</u></b>	<b><u>150,200,076</u></b>
<b>7. International Services Expense</b>	<b>2013/ 2014</b>	<b>2012/ 2013</b>
	<b><u>Kshs</u></b>	<b><u>Kshs</u></b>
International Parcel Services -	62,782,526	61,303,956
International Mail Services -	11,632,200	10,981,709
<b>Total</b>	<b><u>74,414,726</u></b>	<b><u>72,285,665</u></b>

# Postal Corporation of Kenya

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

### 8. Rental Expense

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

### 9. Maintenance

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

### 10. Training Expense

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

### 11. Telephone and Data Communication

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

# Postal Corporation of Kenya

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

### 12. Pension expense

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

### 13. Other Expenses

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

# Postal Corporation of Kenya

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

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

# Postal Corporation of Kenya

## 17. Property, Plant and Equipment

	LAND	BUILDINGS	MOTORS VEHICLES	FURNITURE AND OFFICE EQUIP.	COMPUTERS	W. I. P	GRAND TOTAL
<b>COST/VALUATION</b>							
At 1/7/2012	869,575,000	1,646,233,258	247,986,649	790,963,645	130,943,774	57,345,926	3,743,048,253
ADDITIONS							
Revaluation			37,428,200	31,829,935	19,845,505	6,868,242	95,971,883
DISPOSALS	(800,000)	(2,280,000)	(6,050,000)				(9,130,000)
<b>AS AT 30/06/13</b>	<b>868,775,000</b>	<b>1,643,953,258</b>	<b>279,364,849</b>	<b>822,793,580</b>	<b>150,789,280</b>	<b>64,214,169</b>	<b>3,829,890,135</b>
<b>DEPRECIATION AS AT 1.7.2012</b>		170,595,405	145,147,702	358,577,722	79,523,274	-	753,844,102
<b>CHARGE FOR THE YEAR</b>		32,739,065	31,791,555	79,096,364	14,850,234	-	158,477,219
<b>DISPOSALS</b>		(197,600)	(4,829,629)				(5,027,229)
<b>AS AT 30/06/13</b>		203,136,871	171,109,628	437,674,086	94,373,507	-	907,294,092
<b>NET BOOK VALUE:</b>							
AS AT 30 JUNE 2013	868,775,000	1,440,816,388	107,255,221	385,119,494	56,415,772	64,214,169	2,922,596,043
AS AT 30 JUNE 2012	869,575,000	1,475,637,853	101,884,922	432,385,923	51,420,501	57,345,926	2,988,250,125
<b>COST/VALUATION</b>							
At 1/7/2013	868,775,000	1,643,953,258	279,364,849	822,793,580	150,789,280	64,214,169	3,829,890,135
ADDITIONS							
Revaluation			40,111,882	54,754,689	58,888,340	65,583,031	219,337,941
DISPOSALS	(933,124)	(2,600,000)	(15,211,150)				(18,744,274)
<b>AS AT 30/06/14</b>	<b>867,841,876</b>	<b>1,641,353,258</b>	<b>304,265,581</b>	<b>877,548,268</b>	<b>209,677,619</b>	<b>129,797,199</b>	<b>4,030,483,802</b>
<b>DEPRECIATION AS AT 1.7.2013</b>		203,136,871	172,109,628	437,674,086	94,373,507	-	907,294,092
<b>CHARGE FOR THE YEAR</b>		32,739,065	30,193,704	82,279,358	15,571,611	-	160,783,738
<b>DISPOSALS</b>		(225,333)	(12,335,006)				(12,560,339)
<b>AS AT 30/06/14</b>		235,650,603	189,968,326	519,953,444	109,945,119	-	1,055,517,491
<b>NET BOOK VALUE:</b>							
AS AT 30 JUNE 2014	867,841,876	1,405,702,655	114,297,255	357,594,824	99,732,501	129,797,199	2,974,966,311
AS AT 30 JUNE 2013	868,775,000	1,440,816,388	107,255,221	385,119,494	56,415,772	64,214,169	2,922,596,043

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

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

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

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

# Postal Corporation of Kenya

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

### 22. Long Term Bank Loan from Co-operative Bank

	2013/2014	2012/2013
	KShs	KShs
Opening balance	129,166,666	179,166,666
Repayments within the year	<u>(50,000,000)</u>	50,000,000
Balance at the end of the year	79,166,666	129,166,666
Short term Portion	<u>(50,000,000)</u>	<u>(50,000,000)</u>
Long term portion	<u><b>29,166,666</b></u>	<u><b>79,166,666</b></u>

### 23. Pension fund

Balance at the beginning of the year	-	521,400,000
Remedial plan payments	-	(73,000,000)
Transfer of property	-	(2,800,000)
Actuarial Adjustments *	<u>-</u>	<u>(445,600,000)</u>
<b>Balance as at close of the year</b>	<u><b>-</b></u>	<u><b>-</b></u>

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

### 24. Prior Year Adjustment

International Account services	8,415,655	(16,576,220)
Rent Income (Teleposta pension)	-	4,766,878
Conveyance of international mail	18,822,984	22,753,769
Telkom Elec Bills	67,746,162	-
Gain on Namanga Plot	(7,933,126)	-
Forfeiture of land deposits	<u>(8,520,002)</u>	<u>-</u>
	<u><b>78,531,673</b></u>	<u><b>10,944,427.58</b></u>

**Postal Corporation of Kenya**

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

**25. Currency**

The Financial statements are presented in Kenya Shillings (KShs)