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POSTAL CORPORATION OF KENYA

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KENYA NATIONAL ASSEMBLY

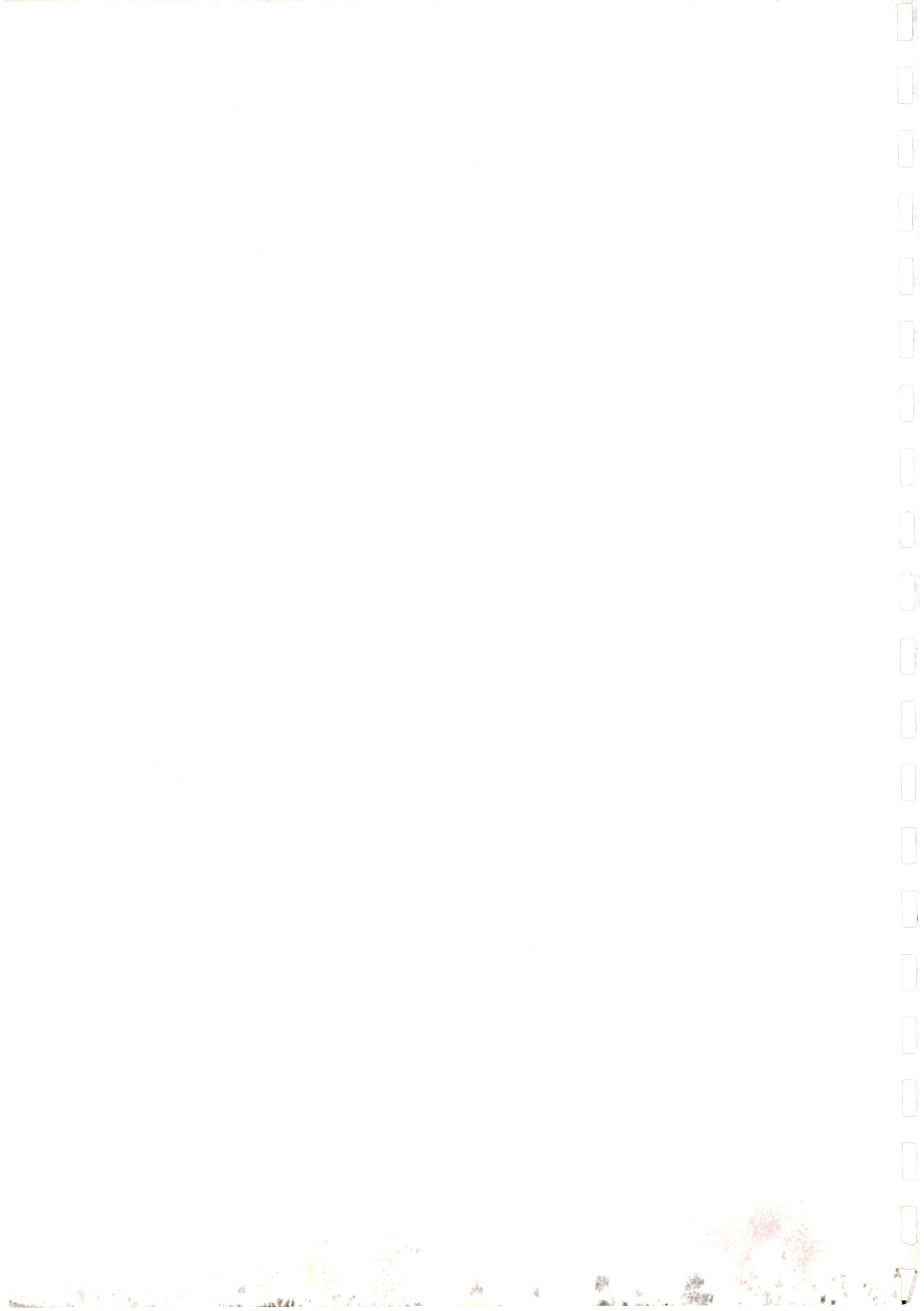
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**ANNUAL REPORT AND ACCOUNTS FOR
THE PERIOD**

ENDING 30TH JUNE 2001



POSTAL CORPORATION OF KENYA

CHAIRMAN'S STATEMENT

The financial year 2000/2001 was a difficult trading environment for Postal Corporation of Kenya.

Nevertheless, the Corporation achieved a remarkable performance during the year under review by reducing a net deficit from Kshs. 42 million recorded in 1999/2000 to Kshs. 40 million in 2000/2001.

The Corporation's gross income increased from Kshs. 2.4 Billion 1999/2000 to Kshs. 2.7 Billion in 2000/2001. This was due to the following factors:-

- Postage and Rental box tariff increases effected in January 2001 which increased by 11.7 and 9 percent respectively.
- Additional rental boxes rented out to the public during the financial.
- Increased money order business.

The liberalised business environment continues to pose major challenges for the Corporation as it's expected to compete in all other market segments save for postage and box rentals. While making effort to expand its service in more areas of the country, the Corporation will also aggressively market its wide range of services.

My Board will continue to provide required leadership to the Corporation in discharge of its legal mandate to provide postal and financial services to the public, and as the designated public postal licensee, ensure access of postal services to all.

On behalf of the Board, I sincerely thank our valued customers, staff and the communities in which we operate for their support to the Corporation.



J. NJAGI KAGAU
CHAIRMAN

27th

..... July, 2004

REPORT OF POSTMASTER GENERAL

Introduction

I am pleased to report that Postal Corporation of Kenya continues to record satisfactory performance against the difficult and uncertain economic environment that prevailed for most of the financial year under review. Postal Corporation of Kenya is in its second year of operation since the split of the then KP&TC into three entities.

The Economy

The Kenyan economy recorded a historic low growth rate of (0.3) percent in real Gross Domestic Product in 2000 which contracts with a growth of 1.4 percent in 1999. Inflation rose from 3.5 percent in 1999 to 6.2 percent in 2000. The Postal sector like other business organizations has been affected by the deteriorating economic performance.

Financial Performance

Nevertheless, the Corporation achieved a remarkable performance during the year under review by reducing a net deficit from Kshs. 42 million recorded in 1999/2000 to Kshs. 40 million in 2000/2001.

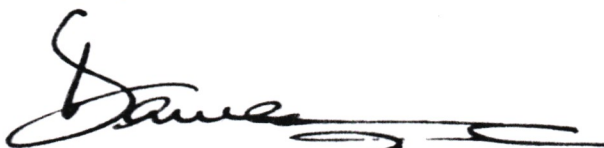
Let me also take this opportunity to mention a few areas that the Corporation continues to do well. Revenue grew against a backdrop of poor economic performance. A 10% growth was registered in 2000/2001 compared with 22% recorded in 1999/2000. Growth in revenue is attributed to increase in postage and rental box tariff, additional rental boxes and increase money order business. Expenditure increased by 7% in the year under review. This is attributed to the following factors:-

- Increase in prices of major inputs in Postal business such as fuel and vehicle servicing and spare parts.
- Increased purchase of stationery
- Increase in staff costs
- Increase telephoned and telegraph costs.

We will however continue to contain costs through observance of strict financial discipline.

I am also happy to report that the Corporation managed to complete the Kericho Head Post Office, extensions to the Mombasa GPO and City Square Head post Office.

I am confident that Postal Corporation of Kenya will maintain its impressive performance in this existing liberalised business environment.



D.K. AMEYO, OGW
POSTMASTER GENERAL

27th

.....July, 2004

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
FINANCIAL STATEMENTS OF POSTAL CORPORATION OF KENYA FOR
THE YEAR ENDED 30 JUNE 2001**

I have examined the financial statements of Postal Corporation of Kenya for the year ended 30 June 2001 in accordance with the provisions section 29 of the Exchequer and Audit Act (Cap.412). I have obtained all the information and explanations required for the purpose of the audit. Proper books of account were kept by the Corporation and the financial statements which have been prepared under the historical cost convention, as modified by revaluation of certain fixed assets, are in agreement therewith and comply with the Postal Corporation of Kenya Act, 1998.

Except for the reservations set out below in my opinion the financial statements when read together with notes thereon, give a true and fair view of the financial state of affairs of the Corporation as at 30 June 2001 and of its deficit and cash flow for the year then ended.

1. LAND AND BUILDINGS

The Land and Buildings balance of Kshs.2,971,877,004 as at 30 June 2001 includes 43 parcels of land valued at Kshs.313,210,000 for which the Corporation does not hold title deeds to and on which some of the Regional Post Offices stand. The Balance sheet figure, however, excludes undetermined value of some ten (10) surveyed and unsurveyed parcels of land also without title deeds. The Corporation has another parcel of land along Jogoo Road measuring 0.160 hectares and valued at Kshs.1,500,000 whose ownership status could not be established and which, according to the Corporation, has been taken by a third party. Although the Corporation has explained that it has made sufficient efforts to obtain ownership documents, no evidence of such efforts or measures taken to safeguard its property, particularly land, have been seen. As a result, it was not possible to confirm that the Corporation's property is secure or that the fixed assets balance of Kshs.3,243,806,231 as at 30 June 2001 is fairly stated.

2. CASH AND BANK BALANCES

The Cash and Bank balance figure of Kshs.571,476,236 as at 30 June 2001 includes an amount of Kshs.14,918,794 in respect of Crown Agent and Universal Postal Union Account whose statements and supporting details were not produced for audit review. In addition the cash on hand figure of Kshs.70,622,584 includes an amount of Kshs.8,726,047 in respect of various shortages and theft. Further, the bank balance figure of Kshs.452,439,236 differs from balances reflected by the Corporation's cashbooks of Kshs.428,735,170 thereby resulting in unexplained difference of Kshs.23,704,066. The Corporation did not also make available documents to support remittances made between 20 July 1999 and 23 April 2001 to various

stations amounting to Kshs.50,100,000. Consequently, it was not possible to confirm the accuracy and correctness of the Cash and bank balances figure of Kshs.571,476,236 as at 30 June 2001.

3. BUDGETARY CONTROL

During the year under review, the Corporation did not exercise adequate budgetary control and as a result it overspent its budget by Kshs.498,335,144 on four (4) of its expenditure items, which also contributed to the overall loss of Kshs.40,084,704 realized for the year ended 30 June 2001. The Corporation did not provide any evidence to show that the over-expenditure was sanctioned by the Board of Directors, Parent Ministry or the Treasury, as required by Section 12 of the State Corporations Act (Cap.446).

4. SERVICE DEBTORS

The net Service debtors figure of Kshs.514,431,098 as at 30 June 2001 includes foreign administration debts totalling Kshs.479,722,157 which could not be confirmed as the schedules provided for audit reflected debts amounting to Kshs.469,466,262 thereby resulting in an unexplained difference of Kshs.10,255,895. Further, the Corporation wrote off amounts totalling Kshs.13,760,257 owed by two firms, without the approval by the Board. Consequently, it was not possible to confirm that the Corporation's service debtors of Kshs.574,431,098 as at 30 June 2001 are fairly stated in the financial statements.


E.N. MWAI
CONTROLLER AND AUDITOR GENERAL

Nairobi

28 April, 2004

Postal Corporation of Kenya

General Operating and Net Revenue Account

For the period ended 30th June 2001

	Notes	2000/2001 Kshs	1999/2000 Kshs	Growth %
Operating Revenue	1			
Postal Revenue		2,369,964,564	2,111,266,448	12
Telegraph		25,929,545	26,744,012	(3)
Agency Services		219,971,331	250,838,768	(12)
Total		2,615,865,440	2,388,849,228	10
Operating Expenditure				
Administration	2	625,779,060	526,851,184	19
Operation	3	1,117,548,915	1,015,975,315	10
Conveyance of mails		53,869,847	50,756,113	6
International Services		39,269,038	27,911,560	41
Rental		83,302,029	75,465,097	10
Maintenance		34,143,674	35,278,254	(3)
Training		11,723,483	8,457,527	39
Telephone and Telegraph Charge	4	279,176,606	126,525,963	121
Provision for Depreciation		90,410,088	98,732,366	(8)
Pension (Note 18)		104,931,119	146,965,273	(29)
Provision for Bad and Doubtful de	5	12,840,249	278,400,526	(95)
Miscellaneous	6	179,451,754	68,320,534	163
Total		2,632,445,862	2,459,639,712	7
Operating Surplus/(Deficit)		(16,580,422)	(70,790,484)	(77)
Non operating Revenue	7	44,432,884	28,569,438	56
Non Operating Expenditure		(19,413,159)	-	-
Total		25,019,725	28,569,438	(12)
Exceptional Item-Revenue	1	41,730,244	-	-
Exceptional Item-Expenditure	3	(90,254,251)	-	-
Net Surplus /(Deficit)		(40,084,704)	(42,221,046)	(5)

Postal Corporation of Kenya

Balance Sheet

As at 30th June 2001

	Notes	2000/2001 Kshs	1999/2000 Kshs
Fixed Assets	8		
Land and Buildings		2,971,877,004	2,837,756,068
Motor Vehicles		80,401,906	97,002,884
Furniture and office equipment		191,527,321	113,419,127
Net Fixed Assets in Operation		<u>3,243,806,231</u>	<u>3,048,178,079</u>
Capital works in progress		-	141,920,617
Current Assets	9		
Stocks		69,838,764	73,193,404
Debtors			
Service		514,431,098	356,805,561
Others		547,893,614	639,560,683
Cash and Bank		571,476,236	514,361,625
		<u>1,703,639,713</u>	<u>1,583,921,273</u>
Current Liabilities	10		
Creditors			
Service		364,869,297	344,459,615
Others		1,038,322,958	769,199,658
		<u>1,403,192,255</u>	<u>1,113,659,273</u>
Net Current Assets		<u>300,447,458</u>	<u>470,262,000</u>
Assets Employed		<u><u>3,544,253,688</u></u>	<u><u>3,660,360,697</u></u>
Financed by:			
Owners equity:			
Revaluation Reserve		1,966,076,533	1,966,076,533
General Reserve	11	<u>668,771,685</u>	<u>714,738,266</u>
		<u>2,634,848,218</u>	<u>2,680,814,799</u>
Pension and Provident Fund		<u>909,405,470</u>	<u>979,545,898</u>
		<u><u>3,544,253,688</u></u>	<u><u>3,660,360,697</u></u>



CHAIRMAN



POSTMASTER GENERAL

Postal Corporation of Kenya

Cash Flow Statement

For the period ended 30th June 2001

	2000/2001
	Kshs.
Cash Flow from Operating Activities:	
Net surplus before taxation	(40,084,704)
Adjustments for:	
Depreciation	90,410,088
Interest income	(32,411,836)
Other provisions	12,840,249
Exchange loss (Unrealised)	-
Gain on disposal of Motor Vehicles	-
Operating profit before working capital changes	<u>30,753,796</u>
(Increase) / Decrease in stock	(3,354,640)
(Increase) / Decrease in services debtors	555,379,185
(Increase) / Decrease in others debtors	(91,667,069)
Increase / (Decrease) in service creditors	20,409,682
Increase / (Decrease) in other creditors	<u>269,123,300</u>
Net Cash generated from operating activities	<u>749,890,459</u>
Corporation Tax paid	-
Net Cash from operating activities	<u>749,890,459</u>
Return on Investments and servicing of Loans:	
Interest received	32,411,836
Loan Charges	-
Net cash flow from Investment and Servicing of Finance	<u>32,411,836</u>
Cashflow from Investing Activities:	
Purchase/construction of Fixed Assets	(146,227,404)
Addition to work in progress	
Proceeds on disposal of Fixed Assets	<u>3,477,050</u>
Net cash from investing activities	<u>(142,750,354)</u>
Cashflow from financing Activities:	
Loan repayments	-
VAT Received	14,322,436
VAT Paid	<u>(20,157,823)</u>
Net cash from financing activities	<u>(5,835,387)</u>
Loans and Advances	<u>(137,075,850)</u>
	<u>527,394,500</u>
Net increase/(decrease) in cash and cash Equivalent	57,114,610
Cash and cash Equivalent at beginning of period	514,361,626
Cash and cash Equivalent at end of period(Note 13)	571,476,236

Accounting policies

For the year ended 30th June, 2001

The principal accounting policies adopted in the preparation of these financial statements are as outlined below:-

1. Basis of Accounting

The accounts are prepared in accordance with cost convention as modified by the revaluation of certain fixed assets.

2. Interest

Interest receivable from Bank Accounts is accounted for in the General Operating and Net Revenue Account as it accrues. Interest payable is chargeable to General Operating and Net Revenue Account.

3. Revenue recognition

Revenue is recognized on an accrual basis and represent receipts accruing from the major services of Postal Corporation of Kenya. It is stated net of Value Added Tax.

4. Stocks

These are stated at the lower of cost and Net realizable value. Cost is determined on a weighted average basis net of provision for obsolescence.

5. Fixed Assets

• Cost

Fixed Assets are stated at purchase or production cost, less accumulated depreciation. Cost for self constructed assets include the cost of materials, direct labour and an appropriate portion of overhead costs. Additions to fixed assets during the year are capitalized at cost.

• Depreciation

Depreciation on fixed assets is calculated to write off the cost or valuation of the assets over their estimated useful lives by equal annual installments as follows:-

Accounting policies

continued

Useful lives (Years)

- Land	-	Nil
- Land and Building freehold	-	50
- Computers	-	5
- Motor vehicles	-	6-9
- Furniture & Office equipment	-	10

No provision for depreciation is made on additional assets acquired during the year.

6. Translation of foreign currencies

Assets and Liabilities denominated in foreign currencies are translated into Kenya shillings at Inter-Bank rates of exchange ruling on the Balance Sheet date. Transactions in Foreign Currencies are translated in Kenya Shillings at Inter-Bank rates of exchange ruling at the time of the transaction.

7. Debtors

Known bad debts are written-off and a provision is made for those considered doubtful of collection.

8. Pension obligation

The corporation contribution is July 2001 –December 2001 Telposta pension scheme is charged to the General Operating and Net Revenue for the year. The Jan 2002 to June 2002 contribution internally managed scheme is equally expensed to the General Operating and Net Revenue for the year.

9. Cash and cash equivalent

For the purpose of cash flow statement cash and cash equivalents comprises cash in hand, and bank balances.

10. Comparatives

Where necessary figures have been adjusted to conform with changes in presentation in the current year. Particular comparatives have been adjusted or extended to take into account the requirements of international accounting standards.

Notes forming part of the financial statements for the year ended 30th June, 2001

1. Analysis of Revenue

	2000/2001	1999/2000	Growth
	Kshs	Kshs	%
(i) Postal Revenue:			
Sale of stamps	681,989,249	638,639,531	7
Postage paid in bulk	627,148,829	504,737,779	24
Foreign administrations	239,763,489	235,956,108	2
Money order commission	320,087,752	275,780,789	16
Postal order commission	2,188,838	2,113,326	4
Box/Bag rentals	415,910,913	351,453,696	18
EMS speedpost	55,247,999	62,681,906	(12)
Miscellaneous	15,099,517	23,758,390	(36)
Total	2,357,436,586	2,095,121,525	13
Premium services:			
Bureau Services	10,727,031	5,219,749	106
Posta shops	1,084,172	9,506,112	(89)
Photo Copy	716,775	1,419,063	(49)
Total	12,527,978	16,144,924	(22)
Telegrams:			
Inland Telegrams	25,280,347	25,872,398	(2)
Foreign Telegrams Outward	615,988	612,171	1
Miscellaneous	33,210	259,442	(87)
Total	25,929,545	26,744,011	(3)
Total Postal Revenue	2,395,894,109	2,138,010,460	12
(ii) Agency Services:			
KPOSB	34,630,450	38,815,849	(11)
Customs and excise	851,485	1,155,260	(26)
Telkom	180,916,406	210,867,660	(14)
Miscellaneous	3,572,990	-	-
Total Agency Revenue	219,971,331	250,838,769	(12)
Total operating Revenue	2,615,865,440	2,388,849,229	10
(iii) Non-Operating Revenue	44,432,884	28,569,438	56
Total	2,660,298,323	2,417,418,667	10
(iv) Exceptional item - Bad Debt Recovery	41,730,244	-	-
Grand Total	2,702,028,567	2,417,418,667	12

Notes forming part of the financial statements.

For the year ended 30th June, 2001

2. Administration

	2000/2001	1999/2000	Growth
	Kshs	Kshs	%
Salaries and Allowances	230,298,105	214,072,376	8
House allowance	62,904,769	53,854,092	17
Medical	154,089,137	116,342,730	32
Insurance	25,722,248	25,764,878	(0)
Incidental	36,783,982	27,502,304	34
Security	43,431,841	40,584,590	7
General Stores	21,823,597	8,430,185	159
Vehicle running costs	33,332,533	28,434,013	17
Bank charges	12,107,243	-	-
Consultancy charges	1,943,091	-	-
Others	3,342,514	11,866,016	(72)
	<u>625,779,060</u>	<u>526,851,184</u>	<u>19</u>

Out of Kshs. 625,779,060 Directors emoluments amounted to Kshs. 9,771,892.20

3. Operational

	2000/2001	1999/2000	Growth
	Kshs	Kshs	%
Salaries & Allowances	707,146,583	673,520,865	5
House allowance	257,017,351	217,879,774	18
Incidental	9,595,497	7,408,028	30
General Stores	27,201,043	27,054,883	1
Motor Vehicles	72,659,224	60,441,199	20
Postal Agencies	7,127,688		
Supply of Stamps	34,539,128		
Postal Losses	1,569,620		
Others	692,782	8,464,829	(92)
Total	<u>1,117,548,915</u>	<u>994,769,578</u>	<u>12</u>
Exceptional item *	90,254,251	-	
Total	<u>1,207,803,166</u>	<u>994,769,578</u>	<u>12</u>

*Under provisions in prior year (1999/2000) on telephone and telegraph.

Notes forming part of the financial statements.

continued

4. Telephone and Telegraph charges

	2000/2001 Kshs	1999/2000 Kshs
Telephone	109,960,496	
Telegraph	169,216,110	
	279,176,606	126,525,963

5. Provisions for Bad and Doubtful Debts

	2000/2001 Kshs	1999/2000 Kshs
General Provisions	10,043,583	
Specific Provisions	2,796,666	278,400,526
	12,840,249	278,400,526

6. Miscellaneous for Bad and Doubtful Debts

	2000/2001 Kshs	1999/2000 Kshs	Growth %
Electricity/Water/Fuel Bills	23,421,440	19,833,062	18
P&T Sporting Activities	2,694,264	2,348,406	15
Marketing services	47,650,305	34,078,085	40
Furniture & Fittings	4,551,039	-	-
Health Safety & Environment	10,565,278	-	-
Audit Fee	2,500,000	-	-
Staff Awards	6,450,879	-	-
Legal expenses	8,997,658	-	-
Stores consumables	33,501,601	-	-
Survey Fees	10,954,464	-	-
Maintenance	17,404,684	-	-
Others	10,760,142	12,060,981	(11)
Total	179,451,754	68,320,534	163

Notes forming part of the financial statements.

continued

7. Non-operating Revenue

	2000/2001	1999/2000	Variance
	Kshs	Kshs	%
Bank Interest	13,664,053	3,178,432	330
Staff loans interest	18,747,783	20,805,599	(10)
Tender/GPA/Western Union	6,916,050	2,325,567	197
Disposal of Vehicles	3,477,050	-	
Loss recoveries	1,024,307	599,580	71
Sale of stores	484,036	362,541	34
Others	119,605	1,297,719	(91)
Total	44,432,884	28,569,438	56

*GPA – Group Personal Accident.

8. Fixed Assets Schedule

Particulars	Land and Buildings	Motor Vehicles	Furniture and Office Equip.	Grand Total
Cost/Valuation				
At 1/7/2000	2,883,103,624	135,918,000	167,620,196	3,186,641,820
Adjustment		3,540,000	39,610,772	43,150,772
Additions	180,393,365		64,843,766	245,237,131
Disposals		(3,750,000)		(3,750,000)
As at 30/6/2001	3,063,496,989	135,708,000	272,074,734	3,471,279,723
Depreciation				
Cumm. b/f 1/7/2000	45,347,556	38,915,116	54,201,069	138,463,741
Adjustment			804,246	804,246
Charge for the year	46,272,429	18,595,561	25,542,098	90,410,088
Disposal / Adjustments		(2,204,583)		(2,204,583)
30/6/2001	91,619,985	55,306,094	80,547,413	227,473,492
Net Book Value:				
Assets in Operation	2,971,877,004	80,401,906	191,527,321	3,243,806,231
Balance as at 30/6/2001	2,971,877,004	80,401,906	191,527,321	3,243,806,231

Notes forming part of the financial statements.
for the year ended 30th June, 2001

9. Schedule of Current Assets	2000/2001	1999/2000
	Kshs	Kshs
Stocks:		
Furniture and Office Equipments	-	13,603,065
Consumable Stores	<u>69,838,764</u>	<u>59,590,339</u>
Total Stocks	<u>69,838,764</u>	<u>73,193,404</u>
Debtors:		
Services:		
Foreign Administration	479,722,517	489,164,353
E M S	<u>25,815,844</u>	<u>23,768,598</u>
	505,538,361	512,932,951
Less: Provision for Doubtful debts	<u>(397,753,648)</u>	<u>(426,643,643)</u>
Net Service Debtors	<u>107,784,713</u>	<u>86,289,308</u>
Sale of stamps	-	180,784
Money Orders-Intre state	<u>3,562,153</u>	<u>7,923,410</u>
Total	<u>111,346,866</u>	<u>94,393,502</u>
Agency:		
Kenya Post Office Savings Bank	56,511,254	51,544,399
Telkom Kenya Limited	339,494,674	210,867,660
Telposta Pension Scheme Fund	<u>7,078,305</u>	<u>-</u>
Total	<u>403,084,233</u>	<u>262,412,059</u>
Total service Debtors	<u>514,431,098</u>	<u>356,805,561</u>
Other Debtors		
Interest	-	1,027,145
Administration	-	-
Operational	-	78,078
Conveyance of mails	-	-
Rentals	-	807,781
Maintenance and miscellaneous	-	600
Training	-	-
Suppliers - Zadock Furniture Systems	3,948,609	-
Staff Advances	471,661,585	598,478,141
Statutory	133,281	-
Other Deposits	1,400,000	1,201,486
Institutions	2,824,239	308,187
Cooperatives	964,001	1,941,731
Kenya Post Office Savings Bank	59,121	-
Telkom Kenya Limited	36,532,679	34,983,839
Others	<u>30,369,899</u>	<u>733,696</u>
Total Other Debtors	<u>547,893,614</u>	<u>639,560,683</u>
Total debtors	<u>1,062,324,712</u>	<u>996,366,244</u>
Cash and Bank Balances		
On hand	70,622,584	67,920,217
Bank	452,439,236	392,766,939
Cash in Transit	33,495,622	53,674,470
Crown Agent and UPU Account	<u>14,918,794</u>	<u>-</u>
Total	<u>571,476,236</u>	<u>514,361,626</u>
Total Current Assets	<u>1,703,639,713</u>	<u>1,583,921,274</u>

Notes forming part of the financial statements.
for the year ended 30th June, 2001

10. Current Liabilities

	2000-2001	1999-2000
	Kshs	Kshs
Service Creditors		
Foreign Administration	108,995,076	122,306,057
Money Orders	127,301,057	101,315,555
Postal Orders	16,427,582	17,056,715
Key Letter Box and Telegraph Deposits	39,970,588	28,181,710
EMS	767,598	225,228
Conveyance of Mail	71,407,397	75,374,349
Total Service Creditors	364,869,297	344,459,615
Other Creditors		
Statutory(see note below)	30,422,394	63,469,363
Staff advances	311,187	562,344
Pensions	3,251,039	2,821,407
Value Added Tax	1,923,034	10,151,684
Other Deposits	-	-
Institutions	295,679	2,632,386
Cooperatives	11,303,793	371,210
Kenya Post Office Savings Bank	299,610,199	224,463,989
Others	15,969,981	12,786,726
Telkom Kenya Limited	6,354,807	5,147,280
Administration	17,570,281	10,667,084
Operational	6,882,248	23,269,680
Rentals	5,456,466	4,796,138
Training	1,034,211	13,250,621
Telephone and Telegraph	417,992,007	111,564,771
Miscellaneous	7,641,594	4,095,953
Pension and Provident Fund Liability	78,188,932	84,022,136
Deffered Projects	96,819,340	96,819,340
Contract work	30,989,363	98,307,547
Suppliers		
Local	5,793,785	23,418,478
Overseas	512,618	-
Total others	1,038,322,958	769,199,658
Total Current Creditors	1,403,192,255	1,113,659,273

Notes forming part of the financial statements.

Continued

11. Reserves

Description	General Reserves Kshs	Assets Revaluation Kshs	Total Kshs
Balance as at 1/7/2000	714,738,266	1,966,076,533	2,680,814,799
Retained Surplus for the period	(40,084,704)	-	(40,084,704)
Net prior year adjustments	(5,881,877)	-	(5,881,877)
Balance as at 20/6/1999	<u>668,771,685</u>	<u>1,966,076,533</u>	<u>2,634,848,218</u>

12. Cash receipts from customers

	Kshs
Total cash receipts	2,499,052,308
Less: Bank interest	(13,876,132)
Loans interest	(18,747,783)
Sale of vehicles	(3,477,050)
	<u>2,462,951,343</u>

13. Cash paid to Suppliers and Employees

	Kshs
Total cash paid	2,390,984,118
Add: Survey Fees	10,024,770
Maintenance	14,653,244
	<u>2,415,662,132</u>

14. Purchase of Property and Equipment

	Kshs
Buildings	81,383,638
Furniture and Fittings	29,652,649
Office Equipment	34,777,572
Health, Safety and Environment	413,545
	<u>146,227,404</u>

Notes forming part of the financial statements.

continued

15. Cash and Cash equivalents

	2000/2001	1999/2000
	Kshs	Kshs
Cash on hand	70,622,584	67,920,217
Bank	452,439,236	392,766,939
Cash in Transit	33,495,622	53,674,470
Crown Agent and UPU Account	14,918,794	
	<u>571,476,236</u>	<u>514,361,625</u>

16. Contigent liability

A contigent liability on Postal Operator Licence of Kshs.49,618,507 exists. The materialization of the liability is dependant upon the correct interpretation of the Communications Act and Postal Corporation of Kenya Act which are in some conflict regarding the authority to grant the licence. The issue is under active discussion.

17. Income on Services rendered to Postbank.

Postal Corporation of Kenya stands to realize Kshs.58 million in income arrears on services rendered to Postbank in respect of Savings Bank business from July 1999 to June 2001 based on Kshs.58.75 per transaction upon signing of an agreement. The amount is broken down as follows:-

		Kshs.'Million
1999/2000	-	27
2000/2001	-	31
Total	-	<u>58</u>

Notes forming part of the financial statements.

continued

18. Pension

The employer Pension and Provident payment for the financial year 2000/2001

Particulars	Kshs.
Total amount paid - 2000/2001	223,992,266
Less: Amount B/F Less staff contribution - 1999/2000	(9,358,422)
Add: Accrued employer contribution - June 2001	8,048,504
Less: Arrears payments	(70,140,428)
Less: Employee contribution 2000/2001	(47,610,801)
Total	<u>104,931,119</u>