

REPUBLIC OF KENYA



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KENYA NATIONAL AUDIT OFFICE



REPORT  
OF  
THE CONTROLLER  
AND AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
POSTAL CORPORATION OF KENYA  
FOR THE YEAR ENDED 30 JUNE 2006



## **KENYA NATIONAL AUDIT OFFICE**

### **REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE POSTAL CORPORATION OF KENYA FOR THE YEAR ENDED 30 JUNE 2006**

I have audited the financial statements of the Postal Corporation of Kenya for the year ended 30 June 2006 in accordance with the provisions of 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. The financial statements are in agreement with the books of account.

#### **Respective responsibilities of the Directors and the Controller and Auditor General**

The directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the Corporation and of its operating results. My responsibility is to express an independent opinion on the financial statements based on my audit.

#### **Basis of opinion**

The audit was conducted in accordance with the International Standards on Auditing. Those standards require that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

#### **1. Presentation of Financial Statements**

The financial statements for the year ended 30 June 2006 have not been presented in accordance with the International Accounting Standards No. 1 in that the statement of changes in equity has been disclosed by way of a note rather than being presented as a major component in the financial statements. In addition, the purpose of reserves amounting to Kshs.2,059,918,554 was not disclosed. Further, fixed assets were presented on the face of the Balance Sheet separately as land and buildings, motor vehicles, and furniture and equipment instead of classifying them under one item of property, plant and equipment cross

referenced to the relevant note to the financial statements. Consequently the financial statements do not provide relevant, reliable and understandable information as required by the International Financial Reporting Standards.

## **2. Fixed Assets**

According to records at the Corporation, out of 144 properties vested in the Postal Corporation of Kenya upon the split of the defunct Kenya Posts and Telecommunications Corporation (KP&TC) in 1999, only twenty two (22) had been transferred as at 30 June 2006, seventy (70) were still registered in the name of the defunct Kenya Posts and Telecommunications Corporation or the East African Telecommunications Corporation while the remaining fifty-two (52) were unregistered. However, as at the date of signing this report, the Corporation has managed to register 24 additional properties in its name leaving 98 still to be registered. This is indicative of significant impairment of properties. Consequently, it has not been possible to confirm the ownership status of the unregistered properties and that the carrying values as stated in these financial statements at Kshs.2,743,485,650 as at 30 June,2006 reflect the fair value of the land and buildings of the Corporation.

## **3. Capital Works in Progress**

The capital works in progress figure of Kshs.28,423,820 as at 30 June 2006 excludes expenditure of Kshs.122,412,263 in respect of consultancy for the proposed Kisumu GPO out of which Kshs.80,680,307 was paid while the balance of Kshs.41,731,956 was carried forward as deferred projects. It was noted that, except for one consultancy firm, the tenders for the other four (4) consultancies were not executed competitively and that commissioning was done through letters issued to the individual firms as opposed to the signing of formal contract documents. Consequently, It was not possible to ascertain the propriety of the total expenditure excluded from capital works in progress of Kshs.122,412,263 or the effect it has on the correctness of the capital works in progress balance of Kshs.28,423,820 as at 30 June 2006

## **4. Very Small Aperture Terminal (V SAT) Project**

On 2 September 2002, the Corporation signed two contractual loan agreements with the Government against which a foreign firm was to install nine hundred and eighty (980) Very Small Aperture Terminal (VSAT) in the Postal Corporation of Kenya's postal network. However, the VSAT were installed in only four hundred (400) sites. The remaining equipment for 580 sites were later installed in the same 400 sites leading to idle capacity. It was explained that it was not possible to install the VSAT equipment in the remaining 580 outlets because there was no power. It is not however clear why the issue of unavailability of power was not considered in the first place when the Postal Corporation of Kenya was drawing the agreement.

Further, the Corporation failed to recognise the assets of the VSAT project in its financial statements, although the revenue generated from the project amounting to Kshs.27,047,365 during the financial year ended 30 June 2006, was recognised and incorporated. This caused a mis-match between the revenue and the asset base contrary to accounting principles. Subsequently, the Corporation failed to honour the termly repayment loan instalments and as a result the service provider discontinued provision of bandwidth and network management services. It was therefore not possible to confirm the correctness of the total asset base and the total revenue generated of Kshs.2,582,570,762 reflected in these financial statements as at 30 June 2006.

#### **5. Cash and Bank balances**

The cash and bank balances of Kshs.922,579,450 as at 30 June 2006 include cash on hand balance of Kshs.137,715,015 for which the Corporation did not provide cash-count certificates. Further, cash amounting to Kshs.9,364,991 remitted to and from various stations within the Corporation's network has remained in transit for as long as two (2) years without explanation, raising questions on the efficiency of the cash management system and the status of the funds. Similarly, fraud cases amounting to Kshs.3,655,674, some dating back to 1999/2000 have remained under investigation without any tangible action being taken to recover the lost funds. Further, Kshs.1,105,000 was in 2001 credited to a Telkom (K) Ltd bank account in error, but to-date no refund has been received. Consequently, it was not possible to confirm the accuracy of the cash and bank balances figure of Kshs.922,579,450 as at 30 June 2006 or that the cash and bank assets of the Corporation are secure and properly safeguarded.

#### **6. Stocks**

The stocks figure of Kshs.4,220,633 as at 30 June, 2006 is a reconciliation stores ledger balance which is not supported with the year end stock take certificates. In the absence of certified stock sheets for the year end stock-take, it was not possible to verify and confirm the correctness of the stocks balance of Kshs.4,220,633 as at 30 June 2006.

#### **7. Debtors**

The service debtors figure of Kshs.1,906,503,513 as at 30 June 2006 includes an adjustment of current International Service debts dating back to 1998 amounting to Kshs.521,327,264 for which a 100% provision was made in the financial statements. This amount is inclusive of adjustment for under-billings and over billings of Kshs.9,939,460 and Kshs.22,742,359 respectively. These adjustments are as a result of advice notices from respective customers, thus casting doubt on reliability of the accounting system for International Services rendered. In addition, the figure in respect of other debtors of Kshs.244,947,919 includes a Telkom (K) Ltd

debt of Kshs.36,462,213 which has remained unserviced for more than five (5) years. No provision was made in the financial statements to cover the possible loss of income on this debt. Further, no explanation was given on why Telkom (K) Ltd has not settled its obligation for such a long time. Under the circumstances, It was not possible to confirm the accuracy of the debtors figure of Kshs.1,906,503,513 as at 30 June 2006, or ascertain recoverability of the long outstanding debts.

### Opinion

Except for the adjustments which may be necessary as a result of the matters set out in the preceding paragraphs, in my opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of affairs of the Postal Corporation of Kenya as at 30 June 2006 and of its surplus and cash flows for the year then ended and comply with the Postal Corporation of Kenya Act, 1998.



**P.N. KOMORA**  
**CONTROLLER AND AUDITOR GENERAL**

Nairobi

23 March 2007

## Statement of Directors Responsibilities for the year ended 30<sup>th</sup> June, 2006

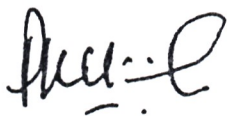
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The Directors are required to prepare financial statements which give a true and fair view of the state of affairs of the Corporation as at the end of the financial year and of its surplus or deficit for that year. The Directors are required to ensure that the Corporation maintains proper accounting records which disclose, with reasonable accuracy, the financial position of the Corporation. The Directors are also responsible for the safeguarding the assets of the Corporation.

The Directors accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, consistence with previous years, and in conformity with International Financial Reporting Standards. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Corporation as at 30<sup>th</sup> June, 2006 and of its surplus for the year then ended. The Directors further confirms the accuracy and completeness for the accounting records maintained by the Corporation which have been relied upon in the preparation of the financial statements, as well as on the adequacy of the systems of internal financial controls.

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

This statement is approved by the Board and is signed on its behalf by:



Chairman

  
Postmaster General

# Postal Corporation of Kenya

## General Operating and Net Revenue Account

For the period ended 30th June 2006

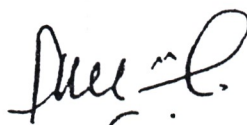
	Notes	2005/2006 Kshs	2004/2005 Kshs	Variance
Operating Revenue	1			
Postal Revenue		2,582,570,762	2,534,055,880	48,514,882
Agency Services & Rent		215,418,910	231,014,579	(15,595,669)
<b>Total</b>		<b>2,797,989,672</b>	<b>2,765,070,459</b>	<b>32,919,213</b>
Operating Expenditure				
Administration	2	676,125,181	648,033,788	(28,091,393)
Directors Expenses	3	12,064,573	10,483,405	(1,581,168)
Operation	4	1,274,439,698	1,243,827,778	(30,611,920)
Local Conveyance of mail		69,045,243	63,544,169	(5,501,074)
International Services	5	38,315,684	38,770,311	454,627
Rental	6	81,895,169	75,646,426	(6,248,743)
Maintenance	7	71,664,568	71,859,884	195,316
Training		48,313,393	13,767,717	(34,545,676)
Telephone Charges		57,190,770	79,838,976	22,648,206
Provision for Depreciation	8	120,226,454	103,202,593	(17,023,861)
Pension		129,922,557	111,423,790	(18,498,767)
Other Expenses	9	66,729,476	89,410,615	22,681,139
<b>Total</b>		<b>2,645,932,766</b>	<b>2,549,809,452</b>	<b>(96,123,314)</b>
<b>Operating Surplus/(Deficit)</b>		<b>152,056,906</b>	<b>215,261,007</b>	<b>(63,204,101)</b>
Non operating Revenue	10	33,353,922	35,007,989	(1,654,067)
Non Operating Expenditure		51,947,489	42,387,540	(9,559,949)
Loan Charges- operational		6,854,823	4,676,409	(2,178,414)
<b>sub Total</b>		<b>(25,448,389)</b>	<b>(12,055,960)</b>	<b>(13,392,429)</b>
Exceptional Items-				
Staff leave		1,400,778	71,298,581	(69,897,803)
Impairment of Ross software		-	(144,396,376)	144,396,376
<b>sub Total</b>		<b>1,400,778</b>	<b>(73,097,795)</b>	<b>74,498,573</b>
<b>sub Total</b>		<b>(24,047,611)</b>	<b>(85,153,755)</b>	<b>(61,106,144)</b>
<b>Net Surplus /(Deficit) Before Tax</b>		<b>128,009,295</b>	<b>130,107,252</b>	<b>(2,097,957)</b>
Tax Provision	11	56,202,122	67,499,398	11,297,776
<b>Net Surplus /(Deficit) after Tax</b>		<b>71,807,173</b>	<b>62,607,354</b>	<b>9,199,819</b>

# Postal Corporation of Kenya

## Balance Sheet

As at 30th June 2006

	Notes	2005/2006 Kshs	2004/2005 Kshs
<b>Fixed Assets</b>	12		
Land and Buildings		2,743,485,650	2,799,750,423
Motor Vehicles		113,302,454	147,115,137
Furniture and office equipment		120,841,303	132,564,602
Net Fixed Assets in Operation		<u>2,977,629,407</u>	<u>3,079,430,162</u>
Capital works in progress	13	28,423,820	4,735,791
<b>Current Assets</b>	14		
Stocks		4,220,633	2,781,284
<b>Debtors</b>			
Service		1,906,503,513	1,627,812,553
Others		244,947,919	304,562,140
Cash and Bank	15	922,579,450	855,846,125
		<u>3,078,251,515</u>	<u>2,791,002,102</u>
<b>Current Liabilities</b>	16		
<b>Creditors</b>			
Service		1,051,768,369	925,840,440
Others		1,484,407,984	1,391,629,660
		<u>2,536,176,353</u>	<u>2,317,470,100</u>
<b>Net Current Assets</b>		<u>542,075,162</u>	<u>473,532,002</u>
<b>Assets Employed</b>		<u><u>3,548,128,390</u></u>	<u><u>3,557,697,956</u></u>
<b>Financed by:</b>			
<b>Owners equity:</b>			
Revaluation Reserve		1,299,770,655	1,299,770,655
General Reserve		760,147,899	681,995,087
		<u>2,059,918,554</u>	<u>1,981,765,742</u>
<b>Loans</b>		73,416,228	74,872,483
<b>Pension and Provident Fund</b>	17	1,414,793,607	1,501,059,730
		<u>1,488,209,835</u>	<u>1,575,932,213</u>
		<u><u>3,548,128,390</u></u>	<u><u>3,557,697,956</u></u>



CHAIRMAN



POSTMASTER GENERAL

**Postal Corporation of Kenya**  
**Cash Flow Statement**  
**For the period ended 30th June 2006**

Particulars	Notes	2005/2006 Kshs.	2004/2005 Kshs.
<b>Cash Flows from Operating Activities:</b>			
Cash receipts from customers		2,718,166,128	2,678,087,439
Cash paid to Suppliers and Employees		(2,555,069,726)	(2,660,701,614)
<b>Cash generated from operations</b>		<b>163,096,402</b>	<b>17,385,825</b>
Tax paid		(126,339,149)	(14,646,946)
<b>Net Cash from Operating Activities</b>		<b>36,757,254</b>	<b>2,738,879</b>
<b>Cash Flows from Investing Activities:</b>			
Proceeds from sale of Vehicles		1,680,000	3,818,415
Interest Received		19,567,608	19,528,431
Interest Charges		(21,469,538)	(19,662,356)
Purchase of Property and Equipment	18	(38,327,062)	(150,625,037)
Loans and Advances		(27,385,340)	(25,432,678)
<b>Net Cash from Investing Activities</b>		<b>(65,934,332)</b>	<b>(172,373,225)</b>
<b>Cash Flows from Financing Activities:</b>			
Postbank		107,644,398	-
VAT		-	-
Customs		-	-
Loans		7,400,214	82,000,000
Loans Redemption		(8,856,469)	(15,534,853)
<b>Net Cash Flows from Financing Activities</b>		<b>106,188,143</b>	<b>66,465,147</b>
<b>Net Increase in cash and cash equivalents</b>		<b>77,011,065</b>	<b>(103,169,199)</b>
Cash and Cash equivalents - 2004/2005		855,846,126	959,015,325
<b>Cash and Cash equivalents - 2005/2006</b>		<b>922,596,828</b>	<b>855,846,125</b>

# Postal Corporation of Kenya

## Accounting policies

For the year ended 30<sup>th</sup> June, 2006

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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 International Financial Reporting standards.

The Corporation prepares its accounts under the historical cost convention, modified to include 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

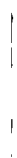
These are stated at the lower of cost and Net realizable value. Cost is determined on a weighted average basis net of provision for obsolescence.

### 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.

- Contractual rights and obligations on the rural Internet connectivity equipment have not been agreed between the Board of the Corporation and the Government and the Assets and obligations of the contracts have not been recognized in the Accounts.



# Postal Corporation of Kenya

## Accounting policies

For the year ended 30<sup>th</sup> June, 2006

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- **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:-

**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. Buildings under leasehold land are depreciated over the lease period at valuation.

### 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 to pension scheme is charged 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.

#### **11. Taxation**

Tax on the profit or loss for the year comprises current tax on the adjusted results for the period in accordance with enacted tax legislation.

#### **12. Fixed Assets**

The comparative figure for movement in property and equipment is net of accumulative depreciation for the respective period

#### **13. Provision for employee entitlement**

Employee entitlement to annual leave are recognized where they accrue to employee as per existing staff policies and regulations. A provision is made for the estimated liability for annual leave accrued as per policy at the balance sheet date.

**Postal Corporation of Kenya**  
**Notes forming part of the financial statements.**  
**For the year ended 30th June, 2006**

1. Analysis of Revenue	Actual	Actual	Growth %
	2005/2006	2004/2005	
	Kshs	Kshs	
<b>(i) Postal Revenue:</b>			
Sale of stamps	518,341,280	518,046,495	0.1
Postage paid in bulk	927,092,618	860,216,236	7.8
Foreign administrations	212,628,227	262,320,009	-18.9
Money order commission	296,510,319	297,775,308	-0.4
Postal order commission	100,505	401,880	-75.0
Box Bag rentals	499,962,227	467,345,673	6.9
EMS speedpost	85,555,824	82,640,058	3.5
Miscellaneous (lock replacements etc)	13,720,730	12,008,898	14.3
<b>Total</b>	<b>2,553,911,730</b>	<b>2,501,254,557</b>	<b>2.1</b>
<b>Premium services:</b>			
Internet services (VSAT)	27,047,365	30,359,819	-10.9
Bureau Services	1,035,099	1,263,162	-18.1
Posta shops	375,257	1,105,281	-66.0
Photo Copying services	201,311	73,061	175.5
<b>Total</b>	<b>28,659,032</b>	<b>32,801,323</b>	<b>-12.6</b>
<b>Total Postal Revenue</b>	<b>2,582,570,762</b>	<b>2,534,055,880</b>	<b>1.9</b>
<b>(ii) Rent Receivable (kencell, safari com, Tkl)</b>	<b>43,597,690</b>	<b>36,143,180</b>	<b>20.6</b>
<b>(iii) Agency Services:</b>			
KPOSB	96,687,724	137,530,740	-29.7
Customs and excise commission	3,031,733	1,622,421	86.9
Telkom	4,511,481	8,255,552	-45.4
Pension Commission	4,084,909	5,046,210	-19.0
Western Union Commission	15,100	289,302	-94.8
TSC commission	23,940,960	23,406,000	2.3
Others (sony, mudete tea etc)	39,549,313	18,721,174	111.3
<b>Total Agency Revenue</b>	<b>171,821,220</b>	<b>194,871,399</b>	<b>-11.8</b>
<b>Total operating Revenue</b>	<b>2,797,989,672</b>	<b>2,765,070,459</b>	<b>1.2</b>
<b>(iv) Non-Operating Revenue</b>	<b>33,353,922</b>	<b>35,007,989</b>	<b>-4.7</b>
<b>Grand Total</b>	<b>2,831,343,594</b>	<b>2,800,078,448</b>	<b>1.1</b>

# Postal Corporation of Kenya

## Notes forming part of the financial statements.

For the year ended 30<sup>th</sup> June, 2006

### 2. Administration

	2005/06 Kshs.	2004/05 Kshs.	Growth %
Salaries and Allowances	295,796,900	281,006,658	5.26
House Allowance	106,555,596	107,792,352	(1.15)
Medical	102,878,051	102,422,900	0.44
Consultancy Charges	2,420,431	247,999	875.98
Bank Charges	21,409,453	16,713,058	28.10
Office Administration expenses	11,621,553	9,966,292	16.61
Insurance	15,698,961	20,915,719	(24.94)
Security Charges	71,130,687	65,558,754	8.50
General Stores	20,285,276	16,693,572	21.52
vehicle running costs	20,113,554	25,270,472	(20.41)
Loss on disposal of Motor Vehicles	-	-	
Others - Welfare	4,439,455	1,599,011	177.64
Tax on Fringe benefits	3,775,264	-	
<b>Sub total</b>	<b>676,125,181</b>	<b>648,186,787</b>	<b>4.31</b>

### 3. Directors Expenses

	2005/06 Kshs.	2004/05 Kshs.	Growth %
F(i) Directors Sitting Allowance	6,476,927	4,169,566	55.34
F(j) Directors Honorarium Allowance	1,910,811	2,341,402	(18.39)
F(k) Directors Travelling Subsistence	630,603	1,053,236	(40.13)
F(L) Directors Travelling Subsistence -local	1,919,026	1,822,614	5.29
F(m) Directors mileage Allowance	28,838	19,232	49.95
F(n) Directors Incidental Expenses	1,098,368	1,077,355	1.95
<b>Sub total</b>	<b>12,064,573</b>	<b>10,483,405</b>	<b>15.08</b>

# Postal Corporation of Kenya

## Notes forming part of the financial statements.

For the year ended 30<sup>th</sup> June, 2006

continued

### 4. Operational

	2005/06	2004/05	Growth
	Kshs.	Kshs.	%
Salaries and Allowances	779,822,655	776,975,326	0.37
Postal Agencies	5,240,934	8,293,124	(36.80)
House Allowance	354,235,457	354,552,812	(0.09)
Office Administration expenses	8,874,302	8,272,017	7.28
General Stores	30,858,129	22,850,255	35.05
Supply of Stamps	4,946,279	5,327,980	(7.16)
Vehicle running costs	83,307,651	60,075,418	38.67
Postal losses	866,005	2,397,510	(63.88)
Operating License	6,288,287	5,029,198	25.04
Freight	-	54,138	(100)
VAT Charges	-	-	-
Sub total	<u>1,274,439,698</u>	<u>1,243,827,778</u>	<u>2.46</u>

### 5. International Services

	2005/06	2004/05	Growth
	Kshs.	Kshs.	%
International Parcel Services -Billings	21,686,671	21,538,614	0.69
International Mail Services - Billings	16,629,013	17,231,697	(3.50)
Sub total	<u>38,315,684</u>	<u>38,770,311</u>	<u>(1.17)</u>

### 6. Rentals

	2005/06	2004/05	Growth
	Kshs.	Kshs.	%
Site Rentals (OP)	1,676,723	936,502	79.04
Rates (OP)	7,926,427	3,797,896	108.71
Office Rentals (OP)	71,839,559	70,670,394	1.65
Rates (Resd.)	452,460	241,635	87.25
House Rentals	-	-	-
Sub total	<u>81,895,169</u>	<u>75,646,427</u>	<u>8.26</u>

# Postal Corporation of Kenya

## Notes forming part of the financial statements.

For the year ended 30<sup>th</sup> June, 2006  
continued

### 7. Maintenance

	2005/06 Kshs.	2004/05 Kshs.	Growth %
Office Equipment	5,175,639	3,224,477	60.51
Information Technology	448,287	3,073,506	(85.41)
Building repairs and refurbishment	66,040,642	65,561,902	0.73
<b>Sub total</b>	<b>71,664,568</b>	<b>71,859,885</b>	<b>(0.27)</b>

### 8. Provision for Depreciation

	2005/06 Kshs.	2004/05 Kshs.	Growth %
Motor Vehicles	31,463,858	19,534,432	61.07
Furniture and Office Equipment	38,309,357	33,399,118	14.70
Building	50,453,239	50,269,043	0.37
<b>Sub total</b>	<b>120,226,454</b>	<b>103,202,593</b>	<b>16.50</b>

### 9. Other Expenses

	2005/06 Kshs.	2004/05 Kshs.	Growth %
Furniture & Fittings (Repairs)	997,837	1,508,979	(33.87)
Electricity/Water/Fuel Bills	20,616,161	33,842,087	(39.08)
Staff Awards	64,256	1,591,725	(95.96)
PCK Sporting Activities	3,788,519	41,697	8,985.83
Legal Expenses	5,147,618	9,679,249	(46.82)
Health, Safety Environment (HSE)	8,837,541	13,179,873	(32.95)
Shows and Exhibitions	1,436,128	1,515,025	(5.21)
Electronic Media Adverts	7,526,462	11,492,989	(34.51)
Print Media Adverts	13,446,147	11,550,148	16.42
Entertainment	2,368,807	2,508,843	(5.58)
Audit fees	2,500,000	2,500,000	-
<b>Sub total</b>	<b>66,729,476</b>	<b>89,410,615</b>	<b>(25.37)</b>



# Postal Corporation of Kenya

## Notes forming part of the financial statements.

For the year ended 30<sup>th</sup> June, 2006

continued

### 10. Non-Operating Revenue

	2005/06	2004/05	Growth
	Kshs.	Kshs.	%
Bank Interest	19,377,879	15,940,414	21.56
Staff loans interest	10,448,163	12,585,655	(16.98)
Tender	815,100	2,660,240	(69.36)
Disposal of Vehicles	1,393,961	3,493,415	(60.10)
Sale of stores	195,679	328,265	(40.39)
Commission on Cash Salaries	913,140	-	
Insurance receipts	210,000	-	
<b>Sub total</b>	<u><u>33,353,922</u></u>	<u><u>35,007,989</u></u>	<u><u>(4.72)</u></u>

### 11. Tax Provision

Tax provision for the year is Kshs. 56,202,122. The Corporation had already paid Kshs. 56,233,307 resulting in an overpayment of Kshs. 31,185 that would be carried forward to the next financial year.



# Postal Corporation of Kenya

## Notes forming part of the financial statements. For the year ended 30<sup>th</sup> June, 2006 continued

### 12. Fixed Assets Schedule

Particulars	Land and Buildings	Motor Vehicle	Furniture and Office Equip.	Grand Total
Cost / Evaluation				
At 1/7/2005	3,091,664,092	266,795,264	476,729,023	3,835,188,379
Adjustment	(9,812,628)		(1,898,012)	(11,710,640)
Additions	3,608,590		28,484,070	32,092,660
Disposals		(5,618,825)		(5,618,825)
AS AT 30/6/2006	3,085,460,054	261,176,439	503,315,081	3,849,951,574
Depreciation				
Cumm b/f 1/7/2005	291,913,669	119,689,127	344,164,421	755,758,217
Adjustment -impairment -Ross	(392,504)			(392,504)
Charge for the year	50,453,858	31,463,858	38,309,357	141,754,818
Disposal/ Adjustments		(3,270,000)		(3,270,000)
30/6/2006	341,974,404	147,873,985	382,473,778	872,322,167
Net Book Value: Assets in Operation	2,743,485,650	113,302,454	120,841,303	2,977,629,407
WIP-Kisumu	14,548,419			14,548,419
WIP- Cabling HQ			13,875,401	13,875,401
<b>BAL. AS AT 30TH JUNE, 2006</b>	<b>2,743,485,650</b>	<b>113,302,454</b>	<b>120,841,303</b>	<b>2,977,629,407</b>
WIP-Kisumu	14,548,419			14,548,419
WIP- Cabling HQ			13,875,401	13,875,401
Bal. as at 30th June, 2005	2,799,750,423	147,115,137	132,654,602	3,079,520,162
WIP-Kisumu	4,735,791			4,735,791

# Postal Corporation of Kenya

## Notes forming part of the financial statements.

For the year ended 30<sup>th</sup> June, 2006  
continued

### 13. Capital work-in progress

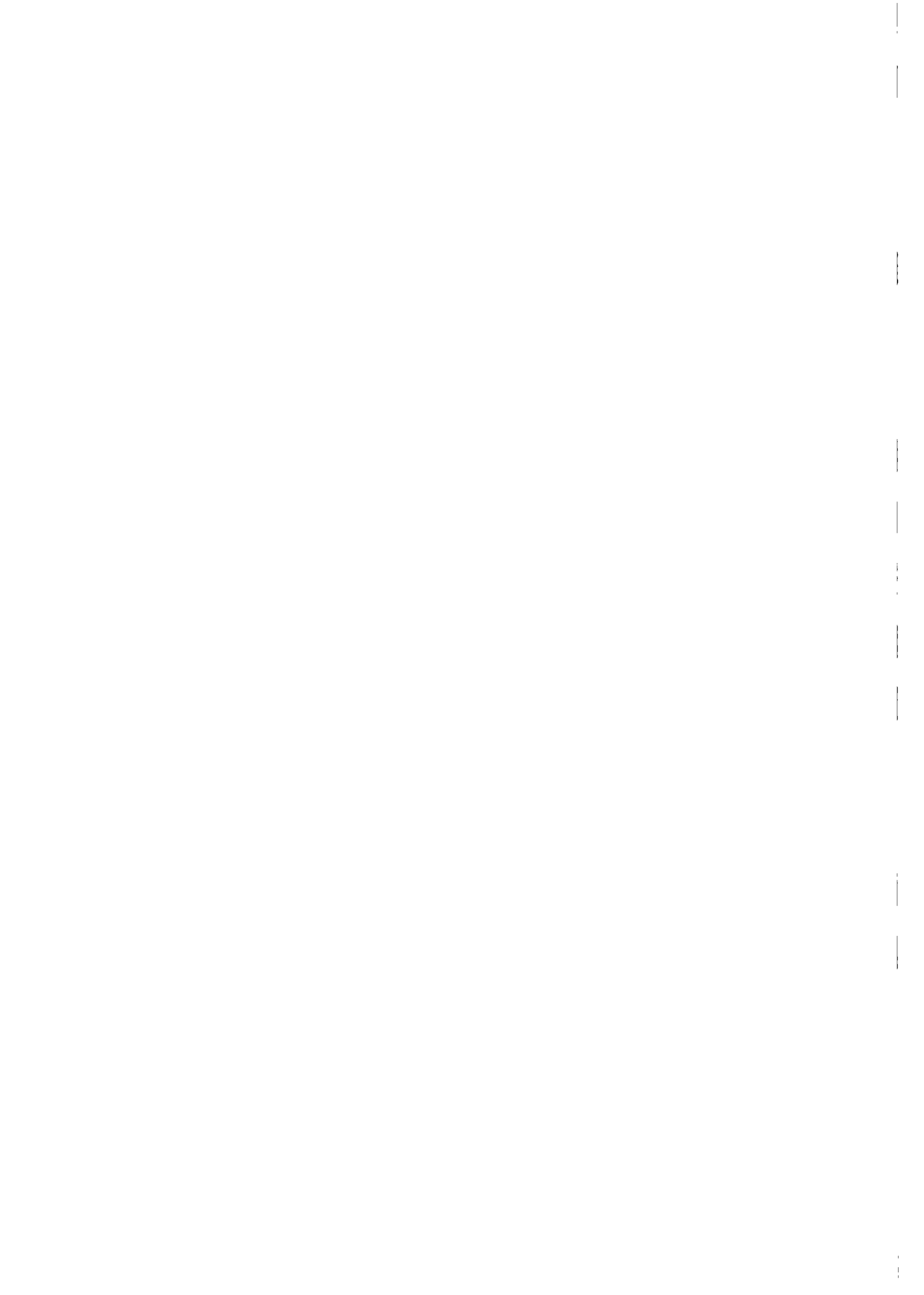
The amount of Kshs. 14,548,419 is payment on account of proposed Kisumu Head-Post –Professional fees and Headquarter structured cabling of Kshs. 13,875,419.

### 15. Cash and Bank Balance

	2005/06 Kshs.	2004/05 Kshs	Growth %
Cash on hand	137,715,015	128,711,080	7.00
Bank Balances	721,707,326	699,381,998	3.19
Cash in transit	63,157,110	27,753,047	127.57
<b>Sub total</b>	<b>922,579,451</b>	<b>855,846,125</b>	<b>7.80</b>

### 17. Statement of change in Equity of the Postal Corporation for the year ended 30<sup>th</sup> June, 2006

	General Reserve Kshs.	Revaluation reserve Kshs.	Total Kshs.
At 1st July 2005 Brought forward	681,995,087	1,299,770,655	1,981,765,742
Profits for the year	71,807,173	-	71,807,173
As at 30th June, 2006	<b>753,802,260</b>	<b>1,299,770,655</b>	<b>2,053,572,915</b>



**Postal Corporation of Kenya**  
**Notes forming part of the financial statements.**  
**For the year ended 30th June, 2006**

<b>14. Schedule of Current Assets</b>	<b>2005/2006</b>	<b>2004/2005</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Stocks:</b>		
Consumable Stores	4,220,633	2,781,284
<b>Total Stocks</b>	<u>4,220,633</u>	<u>2,781,284</u>
<b>Debtors:</b>		
<b>Services:</b>		
Foreign Administration	521,368,375	544,536,872
E M S	38,786,020	33,834,539
	560,154,395	578,371,411
Less: Provision for Doudtful debts	(331,822,099)	(331,822,099)
<b>Net Service Debtors</b>	<u>228,332,296</u>	<u>246,549,312</u>
Bulky Postage	60,622,151	107,283,707
Money Orders-Intre state	42,996,362	15,132,004
<b>Total</b>	<u>331,950,809</u>	<u>368,965,023</u>
<b>Rent Receivable</b>		
Rent	158,755,861	148,842,987
<b>Agency:</b>		
Kenya Post Office Savings Bank	972,049,587	673,153,246
Telkom Kenya Limited-cris-postage	393,282,144	383,575,112
Telposta Pension Scheme	28,175,834	24,090,925
Other Agency Debtors (Kplc. Pck scheme)	22,289,278	24,184,259
<b>Total</b>	<u>1,574,552,704</u>	<u>1,258,847,529</u>
<b>Total service Debtors</b>	<u>1,906,503,513</u>	<u>1,627,812,552</u>
<b>Other Debtors</b>		
Rentals	312,557	-
Suppliers - Zadock Furniture Systems	212,282	212,282
Loans and Staff Advances	183,050,626	242,590,812
Statutory	-	641,690
Other Deposits(court attachments, Tuition fees..)	4,330,587	11,050,411
Institutions	544,200	2,443,905
Cooperatives	2,158,839	4,962,235
Kenya Post Office Savings Bank	16,476,616	5,075,796
Telkom Kenya Limited	36,462,213	36,485,010
Deposits Hospitals	1,400,000	1,100,000
<b>Total Other Debtors</b>	<u>244,947,919</u>	<u>304,562,140</u>
<b>Total debtors</b>	<u>2,151,451,432</u>	<u>1,932,374,693</u>
<b>Cash and Bank Balances</b>		
On hand	137,715,015	128,711,080
Bank	720,683,049	698,470,492
Cash in Transit	63,157,110	27,753,047
Crown Agent and UPU Account	1,024,277	911,506
<b>Total</b>	<u>922,579,450</u>	<u>855,846,125</u>
<b>Total Current Assets</b>	<u>3,078,251,515</u>	<u>2,791,002,102</u>

**Postal Corporation of Kenya**  
**Notes forming part of the financial statements.**  
**For the year ended 30th June, 2006**

**16. Current Liabilities**

	2005-2006	2004-2005
	Kshs	Kshs
<b>Service Creditors</b>		
Foreign Administration	137,917,778	128,906,296
Money Orders	169,774,285	148,439,918
Postal Orders	8,494,555	8,866,942
Key Letter Box Deposits	73,354,704	65,914,264
Rental Deposits	1,292,566	488,336
EMS	1,624,660	638,690
Telephone and Telegraph	462,424,687	445,759,211
Conveyance of Mail	66,636,854	49,811,891
Agency Accounts-Tps-Mastermind	130,248,281	77,014,890
<b>Total Service Creditors</b>	<u>1,051,768,369</u>	<u>925,840,440</u>
<b>Other Creditors</b>		
Statutory	19,474,131	19,165,623
Staff advances	-	546,885
Pensions and Gratuties	21,169,925	22,600,571
Provident Fund	2,967,085	3,131,326
Value Added Tax withholding	11,951,397	4,800,562
Withholding Tax professional services	-	10,002,441
Corporation Tax	(31,185)	67,499,898
Accrued Liabilities	71,572,873	72,973,651
Institutions	1,251,065	3,806,577
Cooperatives	19,596,404	26,670,455
Kenya Post Office Savings Bank	961,702,644	823,406,871
Bank Staff Loans	17,809,315	11,957,064
Telkom Kenya Limited	5,942,828	6,163,931
Administration	83,523,650	45,098,738
Operational	6,653,452	3,967,839
Rentals	4,364,048	21,214,891
Training	33,392,639	820,930
Deffered Projects	96,819,340	96,819,340
Contract work	43,871,111	43,726,307
Suppliers		
Local	3,318,565	5,215,993
Overseas	-	-
Other Creditors-Postal Directories	29,328,818	34,322,308
Miscellaneous	49,729,879	67,716,459
<b>Total others</b>	<u>1,484,407,984</u>	<u>1,391,628,660</u>
<b>Total Current Creditors</b>	<u>2,536,176,353</u>	<u>2,317,469,100</u>

# Postal Corporation of Kenya

## Notes forming part of the financial statements.

For the year ended 30<sup>th</sup> June, 2006  
continued

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### 17. Pension and Provident fund Kshs. 1,414,793,607

This is a long-term pensions and provident fund liability owing to the Postal pension and provident Fund from the Corporation as the sponsor of the two schemes.

### 18. Building and Purchase of property

	<u>Kshs.</u>
Building	3,608,590
Furniture and Office equip.	20,843,071
Cabling	13,875,401
Total	<u>38,327,062</u>