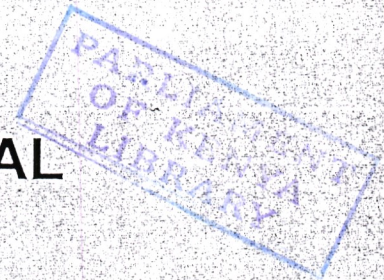


REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

REPORT OF
THE
AUDITOR-GENERAL

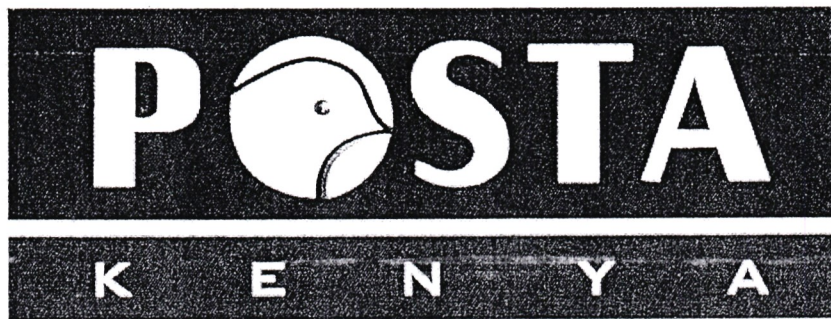


ON

THE FINANCIAL STATEMENTS OF
POSTAL CORPORATION OF KENYA FOR
THE YEAR ENDED 30 JUNE 2012

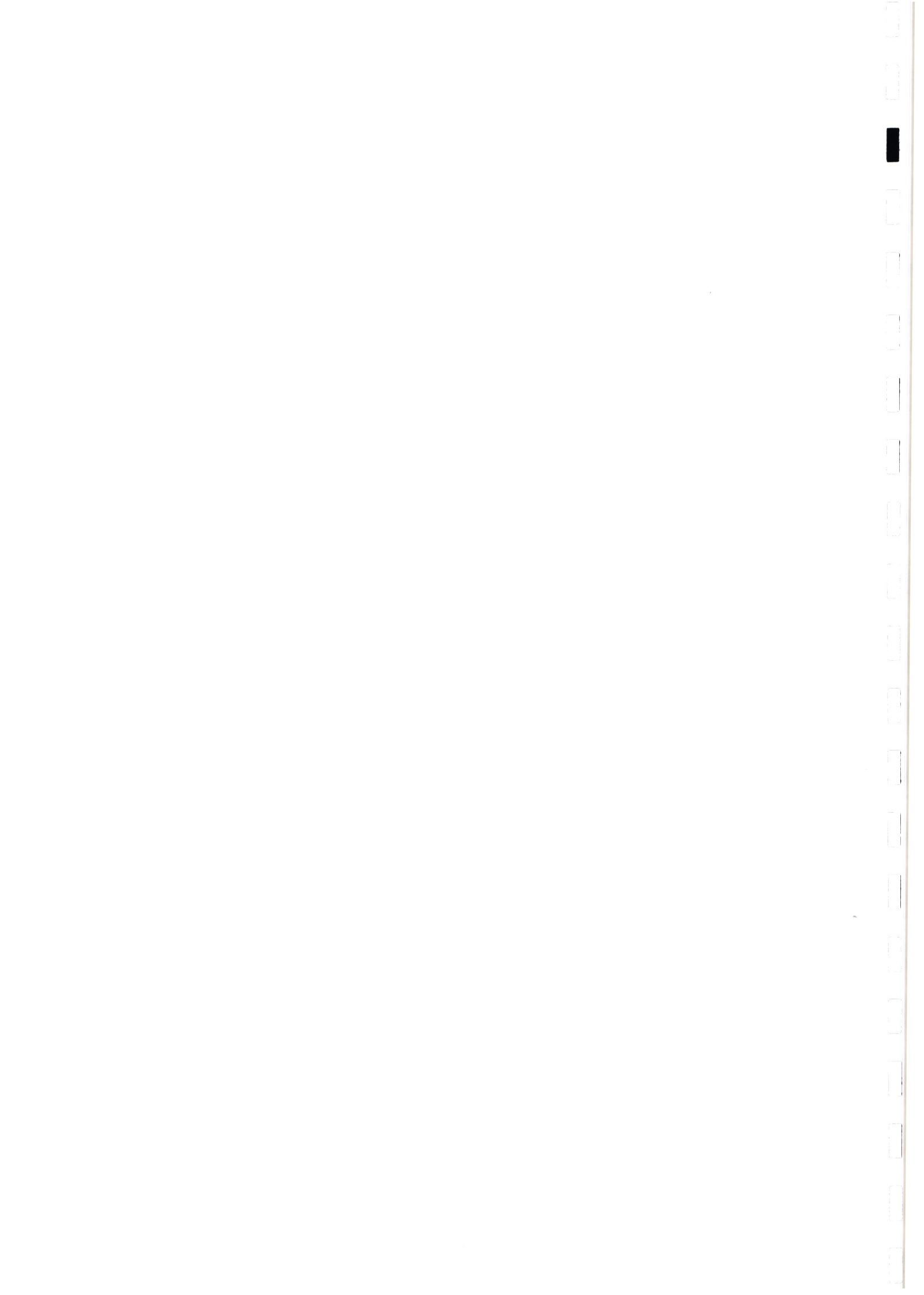


POSTAL CORPORATION
OF KENYA



Touching lives

ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED
30TH JUNE 2012



POSTAL CORPORATION OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Table of Contents

Content	Page No.
Corporate Information	1
Report of the Directors	8
Corporate Governance Statements	9
Statement of Directors Responsibilities	13
Financial Statements:	
Income Statement	14
Statement of Financial Position	15
Statement of changes in Reserves.....	16
Statement of cash flows.....	17
Notes of the Financial Statements	18

POSTAL CORPORATION OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

CORPORATE INFORMATION

1. Postal Corporation is a statutory body established by an Act of Parliament, PCK Act Number 3 of 1998 as a public Postal licensee providing communication and financial services.

2. Registered Office

Posta House
Posta Road, Off Kenyatta Avenue
PO Box 34567 – 00100
NAIROBI

3. Bankers

The main bankers are:-

Kenya Commercial Bank
PO Box 30081-00100
NAIROBI

Barclays Bank of Kenya
PO Box 30120-00100
NAIROBI

Commercial Bank of Africa
PO Box 30437-00100
NAIROBI

National Bank of Kenya
PO Box 41862-00100
NAIROBI

3. Advocates

Miller & Company Advocates
Bruce House, 13th Floor
Standard Street
P.O. Box 45707 - 00100
NAIROBI

Okoth & Kiplagat Advocates
Bruce House, 12th Floor
Standard Street
P.O. Box 9807 - 00100
NAIROBI

Maina Njanga & Company Advocates
Mombasa Trade Centre
South Tower, 9th Floor
Nkrumah Road
P.O. Box 40744 - 00800
NAIROBI

**POSTAL CORPORATION OF KENYA
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

CORPORATE INFORMATION

4. Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers
PO Box 30084-00100
Nairobi

5. Board of Directors

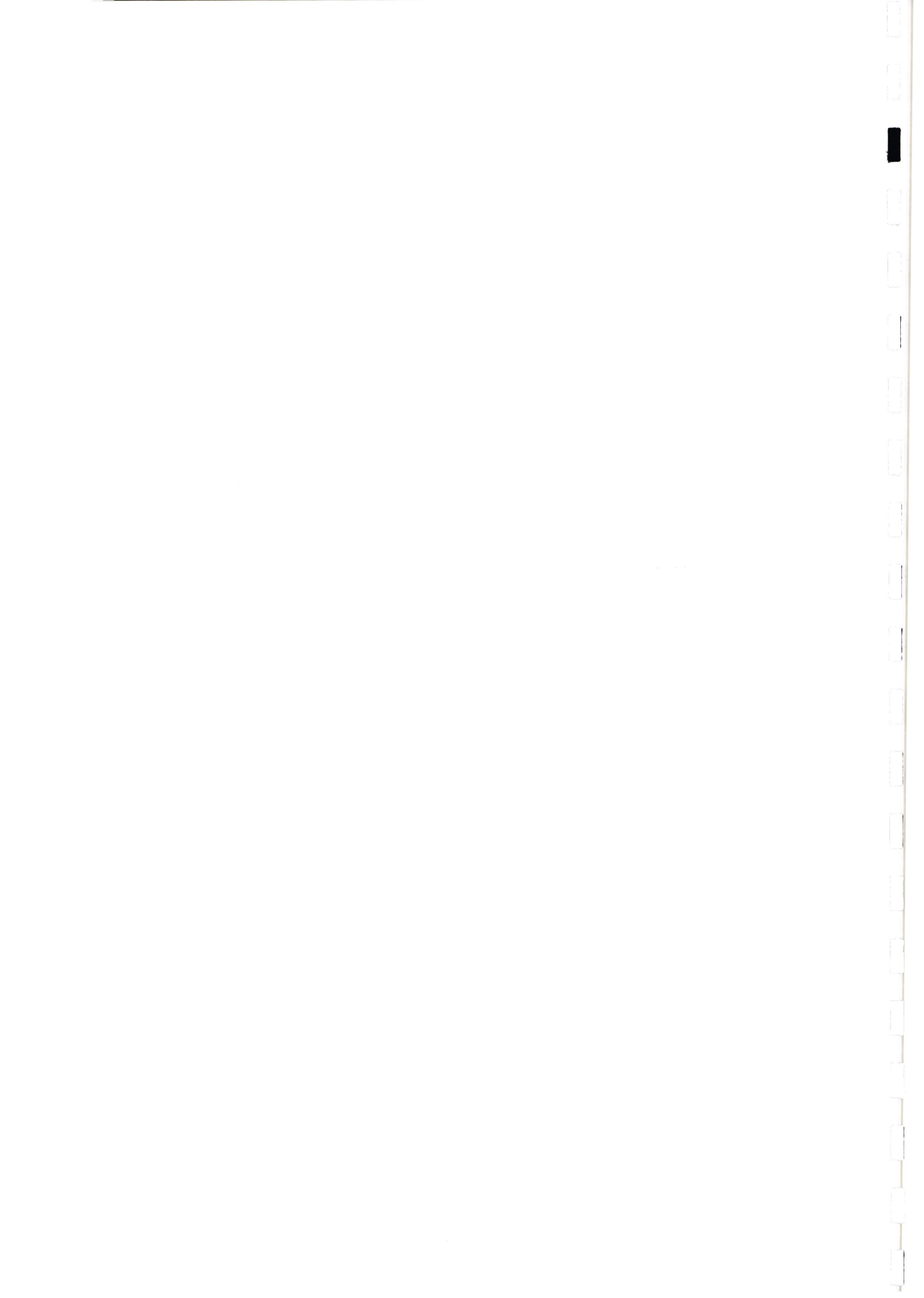
Members of the Board of Directors during the financial year 2011/2012 were:

- Cyrus Maina Chairman
- Maj. Gen (Rtd) Ali M . Hussein Postmaster General
- Ms. Florence Chelimo
- Harun Nyamboki
- Charles Kioko
- Dr.(Fr.) Dominic Wamugunda
- M/s Pauline Muthigani
- Permanent Secretary, Ministry of Information and communications
Alternate director : Onesmus Mutua
- Permanent Secretary, Ministry of Finance
Alternate director : Mutua Kilaka

6. Audit Committee

Members of Audit Committee are:

- Mr. Charles Kioko - Chairman
- Pauline Muthigani
- Permanent Secretary, Ministry of Information and Communications
- Permanent Secretary, Ministry of Finance



**POSTAL CORPORATION OF KENYA
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

CORPORATE INFORMATION

7. Human Resource Committee

Members of Human Resource Committee are:

- Mr. Charles Kioko - Chairman
- Mr. Harun Nyamboki
- Mrs. Florence Chelimo
- Dr. Fr. Dominic Wamugunda
- PS, Ministry of Information and Communications
- Postmaster General

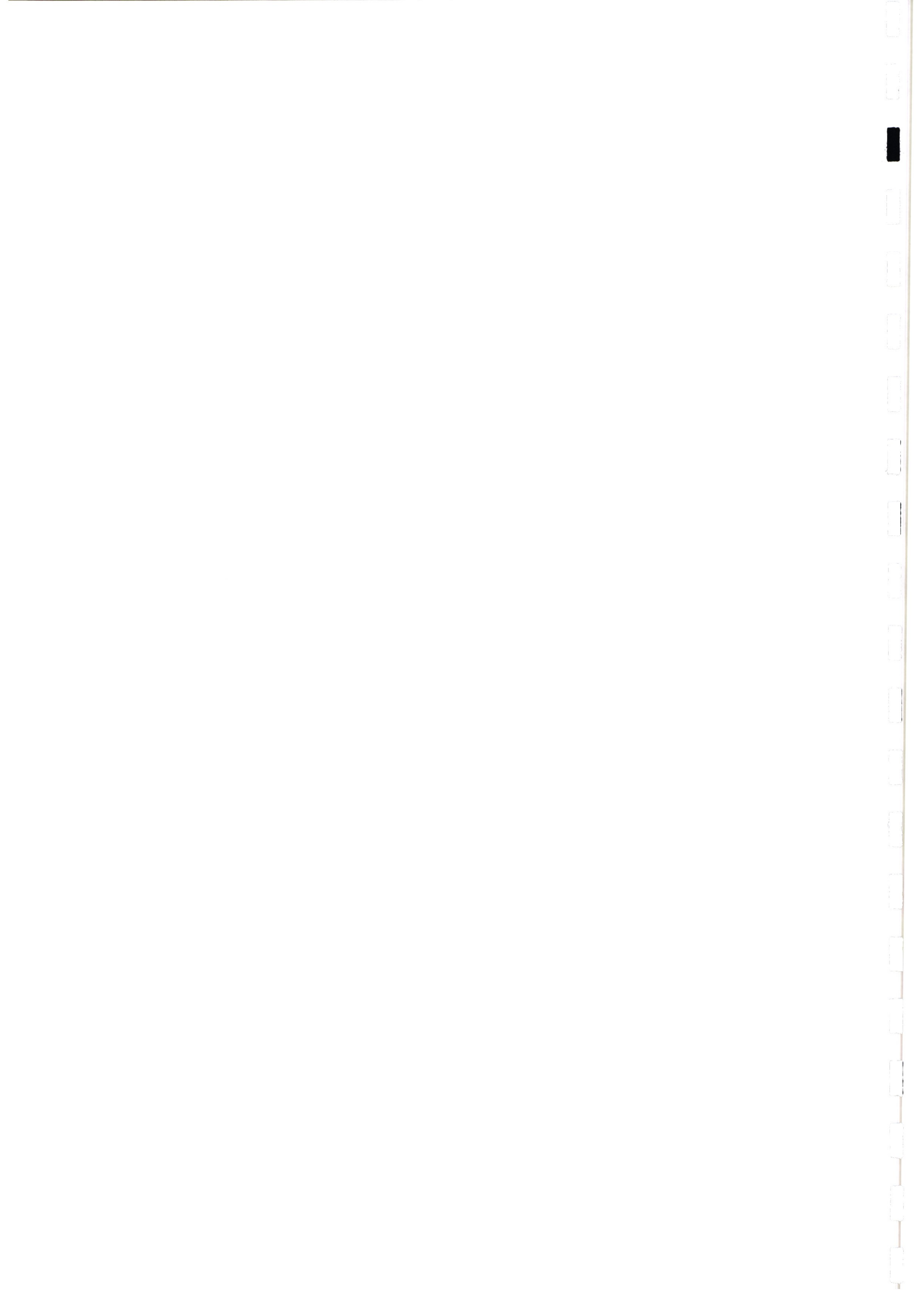
8. Finance and Technical Committee

Members of Finance and Technical Committee are:

- Mr. Harun Nyamboki - Chairman
- Mrs. Florence Chelimo -
- Dr. Dominic Wamugunda
- Postmaster General
- Permanent Secretary, Ministry of Information and Communications
- Permanent Secretary, Ministry of Finance

9. Corporation Secretary

Jane F. Otieno
P.O. Box 34567 - 00100
NAIROBI



**POSTAL CORPORATION OF KENYA
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Financial Highlights

1. Introduction

The overall financial position of year 2011/2012 is a net surplus of Kshs.2.5 Million 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 (Corporations) by 30th September each year.

3. Economic review

The Kenyan economy registered a GDP growth rate of 4.4% in 2011 compared to 5.8% in 2010. Inflation increased to 14% in 2011 up from to 4.1 % in 2010- *Kenyan economic survey 2011*

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

4. Financial performance

(a) Revenue

The overall Corporation Revenue registered an increase of 5% in 2011/2012 compared to 1% decline in 2010/2011. Significant revenue growth was registered in the following;

- Ems
- Box/bag rentals
- Rent

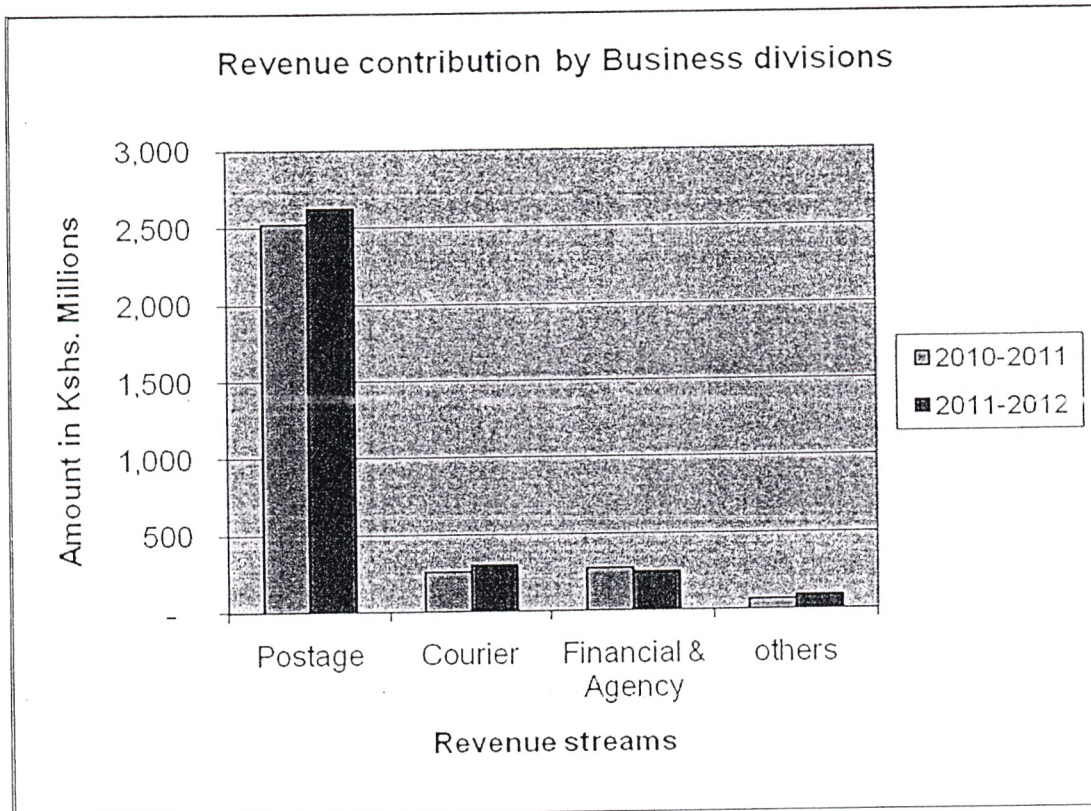
However revenue decline was experienced in

- Foreign administration
- Miscellaneous revenue and
- Post bank agency

POSTAL CORPORATION OF KENYA
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

Financial Highlights

Revenue



POSTAL CORPORATION OF KENYA
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

Financial Highlights

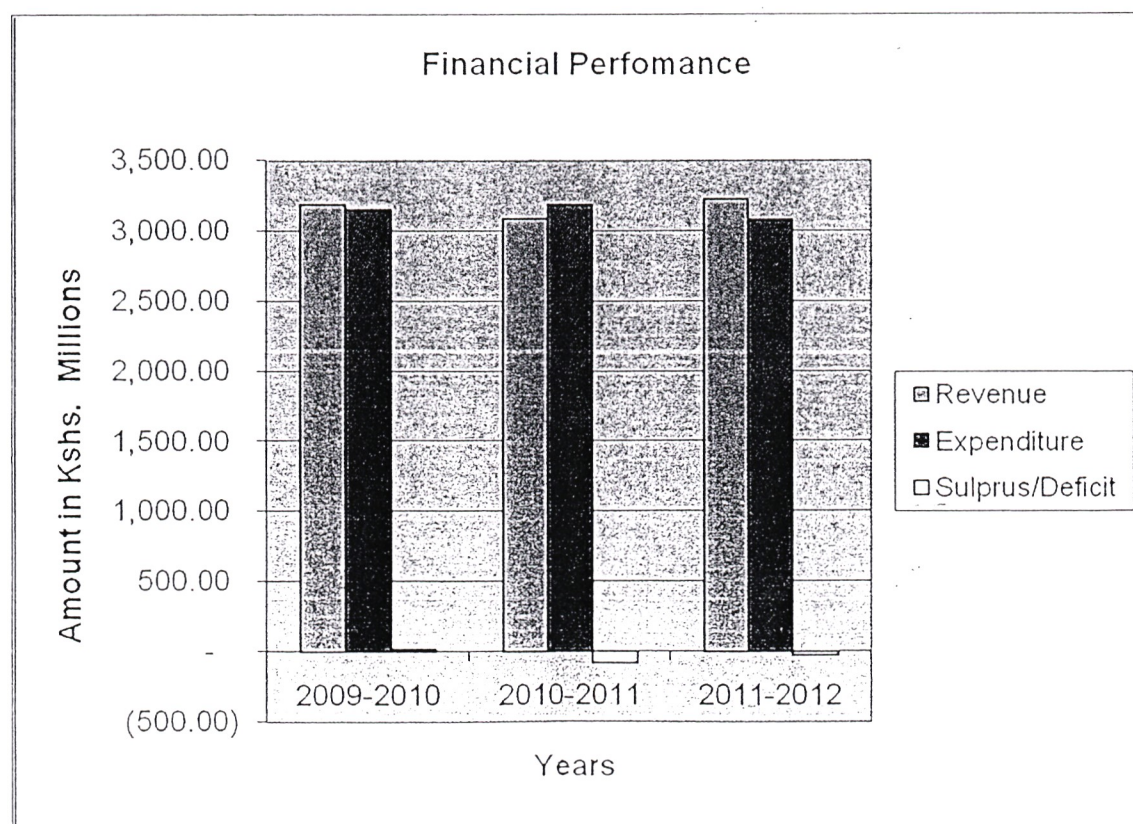
The Table below shows financial performance trend since 2009/2010

Table 1- Financial performance Trend

Kshs. 'Million

Particulars	2009/2010	2010/2011	2011/2012	% Growth from 2010/11
Revenue	3,136	3,115	3,265	5
Expenditure before exceptional Items	3,110	3,178	3,042	(0.04)
Net Surplus /(Deficit) before Tax	35.2	(70.12)	2.5	103
Tax Provision	30.2	1.2	30.3	476
Net Surplus/(Deficit) after Tax	5.002	(76.3)	(27.8)	69

Bar-Chart –Financial Trend





**POSTAL CORPORATION OF KENYA
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Financial Highlights

(b) Operating Expenditure

Operating expenditure reflected a decrease of Kshs.136 million in 2011/2012 financial year compared to 2010/2011. The decrease was a result reduction in communication, training and administration costs.

(c) Financial Results

The financial results reflected an operating profit of KShs.181 Million up from a loss of Kshs. 85.8 million.

(d) Ratios

		<u>2010/2011</u>	<u>2011/2012</u>	
(1)	Liquidity ratio: Current ratio	= 1.11	1.06	Current Assets / Current liabilities
(2)	Gearing ratio	= 0.64	0.65	Total liabilities/ Total Assets
(3)	Return on investment =	(1.07)	0.033	Net Profit before tax/Total Assets

**POSTAL CORPORATION OF KENYA
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

REPORT OF THE DIRECTORS

The directors of Postal Corporation of Kenya (PCK) are happy to submit their report together with the financial statements for the financial year ended 30th June 2012.

1. Principal Activities

Postal Corporation of Kenya, a Public Corporation set up in 1999 under Postal Corporation of Kenya Act Number 3 of 1998 Laws of Kenya, is fully owned by the Government of Kenya. Its principal activities are provision of communication, distribution and financial services.

The number of staff at year end was 3279 (3400 in 2010/2011).

2. Results

	<u>KShs</u>
Profit/ (Loss) before Tax	2,546,633
Less Corporation Tax	<u>(30,313,473)</u>
Net Profit/ (Loss) after Tax for the Year	<u>(27,766,810)</u>

3. Dividends

The Board has resolved not to recommend any dividends to shareholders with respect to financial year then ended.

4. Directors

Directors who served are set out on page 2.

5. Auditors

The Auditors for the Corporation are as reported on page 2 and will continue being in office in the coming financial year 2012/ 2013

6. Corporation Secretary

The Corporation Secretary is on page 3.

7. Approval of Financial Statements

The financial statements of the Corporation were approved on 24th September 2012

By Order of the Board



Corporation Secretary

Nairobi

24th September 2012

**POSTAL CORPORATION OF KENYA
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

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 7 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 PCK 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
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

**CORPORATE GOVERNANCE STATEMENT
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) Review performance and consider the remuneration of external auditors for action by the Board.
- g) 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.

**POSTAL CORPORATION OF KENYA
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

CORPORATE GOVERNANCE STATEMENT

- d) Monitor the implementation of corporate governance policies after Board approval.

iii. Finance and Technical Committee

The functions of the Committee include to:

- a) Review the Corporation's financial statements and budget before submission to the Board.
- b) Approval of procurement plans.
- c) Review quarterly reports on tenders that have been awarded by the Tender Committee.
- d) Monitor customer service standards and productivity of resources.
- e) Review the Corporation's corporate business strategy and market research development.
- f) Review postal operations, UPU standards and compliance with Universal Service Obligations.

POSTAL CORPORATION OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

CORPORATE GOVERNANCE STATEMENT

Board/Committee meetings

The following is the record of the Board and Committee meetings held during the year ended 30th June 2012.

	<u>2011/2012</u>	<u>2010/2011</u>
Main / Special Board	15	13
Audit	3	4
Human Resource	8	7
Finance and Technical	7	5

POSTAL CORPORATION OF KENYA
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

**Statement of Directors Responsibilities for the year
ended 30th June, 2012**

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 safeguarding the assets of the Corporation.

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, consistent 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 30th June, 2012 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 signed on its behalf by;



Chairman

Director

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-Mail: cag@kenao.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 2012

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Postal Corporation of Kenya set out on pages 14 to 31, which comprise the statement of financial position as at 30 June 2012, 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. Plant, Property and Equipment

As previously reported, the property, plant and equipment balance of Kshs.2,988,250,125 includes sixty three (63) properties which are not registered in the name of the Corporation.

In the circumstances, it has not been possible to ascertain that the balance of Kshs.2,988,250,125 as at 30 June 2012 is fairly stated.

2. Trade and Other Receivables

2.1 Telkom (K) Ltd Receivables

As similarly reported in 2010/2011 trade and other receivables balance of Kshs.3,165,598,010 include two debts on account of Telkom Kenya Limited which comprise Kshs.403,648,938 in respect of service debts and Kshs.36,478,729 for other debtors all totalling to Kshs.440,127,667 which have been owing since 1999. Further, debts in respect of money order inter-state of Kshs.95,148,847, Postapay of Kshs.177,742,768 and rent deposits of Kshs.184,746,066 all totalling Kshs.457,637,681 have remained uncollected over the years. However, no evidence has been provided about efforts being taken to recover the debt.

2.2 Foreign Administration and EMS Receivables

As reported in 2010/2011, trade and other receivables balance of Kshs.3,165,598,010 as at 30 June 2012 includes foreign administration and EMS receivables totalling to Kshs.869,189,075; the bulk of which has been outstanding for between five (5) and twenty two (22) years and whose provision for bad and doubtful debts is only Kshs.331,822,099. Also, the other agency debtors' balance of Kshs.123,820,641 disclosed in note 21 had insignificant movement of Kshs.14,643,042 during the year. 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.

2.3. Further the trade and other receivables balance of Kshs.3,165,598,010 includes under agency debtors, Kshs.81,900,018 being the anticipated proceeds from the sale of land which had not been concluded as at 30 June 2012. Considering that the sale arrangement had not been concluded and the asset that was earmarked for sell was still in possession of the Corporation, no explanation was given for such accounting treatment.

2.3. Kenya Post Office Savings Bank Agency

As similarly reported in 2010/2011, trade and other receivables balance of Kshs.3,165,598,010 includes an amount of Kshs.1,225,114,538 being uncollected agency charges accumulated over a period of twelve (12) 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 2012.

In the foregoing circumstances, it has not been possible to confirm that the trade and other receivables balance of Kshs.3,165,598,010 as at 30 June 2012 is fairly stated.

3. Trade and Other Payables

3.1 Kenya Post Office Savings Bank

As reported in 2010/2011, the trade and other payables balance of Kshs.4,372,240,557 as at 30 June 2012 included Kshs.1,539,279,230 being outstanding debt to Kenya Post Office Savings Bank. However, neither reconciliation nor confirmation from the Postbank was availed to confirm the accuracy of outstanding debts.

3.2 Postapay Payables

As reported last year trade and other payables balance of Kshs.4,372,240,557 also includes an amount of Kshs.92,544,072 which have been outstanding on an old

account of Postapay for more than two years. Management is in dispute with a firm which was offering the services and an accounting firm has been appointed to carry out an investigation to determine the amount payable.

3.3. Deferred Projects

The trade and other payables balance of Kshs.4,372,240,557 as at 30 June 2012 also includes deferred projects bills totalling Kshs.123,525,504. Although the management 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.

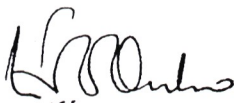
In the foregoing circumstances, the accuracy of the trade and other payables balance of Kshs.4,372,240,557 as at 30 June 2012 could not be confirmed.

4. Board Expenses

The State Corporations Act, Cap 446, Laws of Kenya Section 10(1) allows sitting allowance to be paid to the Chairman and members of a Board other than the chief executive upon attendance of board/committee meetings. However, in the year under review, the Corporation paid a total of Kshs.420,000 as sitting allowance to non board members in attendance during board/committee meetings. The corporation was therefore in breach of the Law.

Qualified Opinion

In my opinion, except for the effect of the matter discussed 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 2012, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Postal Corporation Act, 1998 of the Laws of Kenya.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

19 June 2013

Postal Corporation of Kenya
Statement of Comprehensive Income
For the year ended 30 June 2012

		2011/2012	2010/2011	2010/2011
			RESTATED	
		KSHS	KSHS	KSHS
	NOTES			
Operating Revenue	2	3,224,183,332	3,101,324,334 *	3,092,789,057
Operating Expenditure				
Administration cost	3	156,903,374	180,651,359	180,651,359
Staff costs	3a	1,650,460,641	1,984,868,583	1,984,868,583
Directors Expenses	4	13,900,590	8,761,895	8,761,895
Operational cost	5	215,073,307	188,199,650	188,199,650
Conveyance of Mail	6	148,782,889	96,353,843 *	91,949,719
International Services	7	151,130,536	75,257,619	75,257,619
Rental expenses	8	231,841,378	191,001,260	191,001,260
Maintenance expenses	9	38,220,130	38,135,263	38,135,263
Training	10	10,851,160	16,058,825	16,058,825
Telephone and Data Communication	11	41,655,329	48,205,429	48,205,429
Pension Expense	12	109,090,643	109,990,668	109,990,668
Other expenses	13	109,923,647	86,081,691	86,081,691
Provision for Depreciation	19	168,405,390	159,451,481	159,451,481
Total		3,046,239,011	3,183,017,564	3,178,613,440
Operating Surplus/(Deficit)		177,944,318	(81,693,230)	(85,824,383)
Non Operating revenue	14	40,828,133	33,252,455	33,252,455
Non Operating expenditure	15	(12,669,369)	(7,917,023)	(7,917,023)
Bad debts written off	16	(451,044)	-	-
Finance Charge	17	(35,692,466)	(14,874,244)	(14,874,244)
		(7,984,745)	10,461,189	10,461,189
Exceptional Items				
Provision for contingent liabilities	18	(167,412,910)	-	-
SubTotal		(167,412,910)	-	-
Net surplus/(Deficit) before tax		2,546,663	(71,232,041)	(75,363,194)
Corporation tax		30,313,473	4,747,310	4,747,310
Net Surplus/(Deficit) after Tax		(27,766,810)	(75,979,351)	(80,110,504)

The amount is restated as per Note 26

Postal Corporation of Kenya
Statement of Financial Position
as at 30 June 2012

		2011/2012	2010/2011 RESTATED	2010/2011
		KSHS	KSHS	KSHS
Assets	Notes			
Non- Current Assets				
Plant Property and Equipment	19	2,988,250,125	3,089,697,907	3,089,697,907
		<u>2,988,250,125</u>	<u>3,089,697,907</u>	<u>3,089,697,907</u>
Current Assets				
Consumable Stores	20	10,421,089	6,618,079	6,618,079
Trade and Other Receivables	21	3,165,598,010	3,151,569,662 *	3,143,034,384
Cash and Bank	22	1,573,813,876	1,283,296,309	1,283,296,309
		<u>4,749,832,975</u>	<u>4,441,484,050</u>	<u>4,432,948,772</u>
Total Assets		<u>7,738,083,100</u>	<u>7,531,181,958</u>	<u>7,522,646,680</u>
Reserves and Liabilities				
Current liabilities				
Trade & Other payables	23	4,372,240,557	4,072,972,604 *	4,018,568,480
		<u>4,372,240,557</u>	<u>4,072,972,604</u>	<u>4,018,568,480</u>
Reserves				
Revaluation Reserve		2,279,237,947	2,279,237,947	2,279,237,947
General reserve		436,037,929	463,804,740	459,673,586
Total Reserves		<u>2,715,275,876</u>	<u>2,743,042,687</u>	<u>2,738,911,533</u>
Non Current liabilities				
Bank Loan	24	129,166,666	179,166,667	229,166,667
Pension Fund	25	521,400,000	536,000,000	536,000,000
Total Non Current Liabilities		<u>650,566,666</u>	<u>715,166,667</u>	<u>765,166,667</u>
Total Reserves& Liabilities		<u>7,738,083,100</u>	<u>7,531,181,958</u>	<u>7,522,646,680</u>

* The amount is restated as per note 26

The Financial Statements on pages 14 to 31 were approved by the Board of Directors on 24 September 2012 and were signed on its behalf by;

Mr. Cyrus Maina

Chairman.....

Date:

Dr. Enock E. Kinara

Postmaster General.....

Date:

Postal Corporation of Kenya
Statement of Changes in Reserves
for the Year Ended 30 June 2012

	Notes	<u>General Reserve</u>	<u>Revaluation Reserve</u>	<u>Total</u>
As at 1 July 2010		162,763,343	2,338,437,947	2,501,201,290
Prior Year Adjustments		317,820,747		233,916,700
Revaluation surplus		59,200,000	(59,200,000)	-
Net profit / Deficit for the year		(75,979,351) *		(80,110,504)
Restated as at 30 June 2011		463,804,739	2,279,237,947	2,655,007,486
As at 1 July 2011		463,804,739	2,279,237,947	2,743,042,686
				-
Net profit / Deficit for the year		(27,766,810)		(27,766,810)
As at 30 June 2012		436,037,929	2,279,237,947	2,715,275,876

* This represents restated amount as explained in note 26

Postal Corporation of Kenya
Statement of Cashflows
for the year ended 30 June 2012

		2011 /2012	2010 /2011
		<u>KSHS</u>	RESTATED <u>KSHS</u>
Cash flow from operations	Note		
	27	457,497,264	489,395,806
Tax paid		<u>(1,132,579)</u>	<u>-</u>
Total cash flow from operating activities		456,364,685	489,395,806
<u>Cashflow from investing activities</u>			
Purchase of property	19	(67,314,974)	(63,234,556)
Proceeds from disposal of assets		<u>1,760,324</u>	<u>6,038,712</u>
Total cashflow from investing activities		(65,554,650)	(57,195,844)
<u>Cashflow from financing activities</u>			
Loans Repayments		(50,000,000)	226,201,202
Pension scheme		(14,600,000)	
Interest on bank loan		<u>(35,692,466)</u>	
Total cashflow from financing activities		(100,292,466)	226,201,202
Net Increase/(Decrease) in cash and Cash Equivalent		290,517,568	658,401,164
Cash and equivalents at the beginning		<u>1,283,296,308</u>	<u>624,895,144</u>
Cash and cash equivalents at year end	22	<u>1,573,813,876</u>	<u>1,283,296,308</u>

POSTAL CORPORATION OF KENYA
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

Note 1.

Accounting policies

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

a. 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.

b. 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.

c. 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.

d. Consumables stores

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.

POSTAL CORPORATION OF KENYA
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

Accounting policies

e. 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:-

Useful lives (Years)

- Land	-	Nil
- Buildings	-	50
- Computers	-	5
- Motor vehicles	-	6-9
- Furniture & Office equipment	-	10

No provision for depreciation is made on assets acquired during the year. Buildings under leasehold land are depreciated over the lease period at valuation.

f. 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.

g. Receivables

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

**POSTAL CORPORATION OF KENYA
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Accounting policies

h. Employee benefit costs

The Corporation operates a defined contribution pension scheme which is administered independently of the Corporation's assets. The Corporation's contributions to the scheme are charged to the income statement in the year to which it relates. Prior to January 2010 the Corporation was operating both defined benefit pension scheme and a provident fund. However the two schemes were merged into one defined contribution pension scheme.

Employees on contract are entitled to gratuity at the end of the contract. The estimated monetary liability for such entitlement as at the financial reporting date is accrued as an expense accrual.

i. Cash and cash equivalent

For the purpose of cash flow statement cash and cash equivalents comprise cash in hand, E value and bank balances.

j. 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.

k. 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.

l. Property, Plant and Equipment

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

m. 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 to the Financial Statements
for the year ended 30 June 2012

Note 2	2011 /2012	2010 /2011	2010 /2011
Revenue Analysis	KShs	KShs	KShs
Postal Revenue		RESTATED	
Sale of stamps	506,100,734	489,929,787	489,929,787
postage in bulk	1,170,899,180	1,156,569,819	1,156,569,819
Receipts from Foreign adminis	205,640,583	219,238,710	210,904,019
EMS Service	304,921,968	258,286,234	258,286,234
Money order commisson	58,814,689	55,285,558	55,285,558
Box/ bag Rentals	713,324,597	632,136,019	632,136,019
EFT commission	18,717,479	17,051,965	17,051,965
Miscellaneous	22,220,426	28,608,709	28,608,709
TOTAL	3,000,639,658	2,857,106,800	2,848,772,109
Post shops			
Posta shops	1,922,484	1,576,956	1,576,956
Total	1,922,484	1,576,956	1,576,956
Total postage and Post shops	3,002,562,141	2,858,683,757	2,850,349,065
Rent receivable	48,901,524	41,730,188	41,529,601
AGENCY SERVICES			
(KPOSB) Post Office Savings Bank	13,896,095	19,084,603	19,084,603
PCK and Teleposta Pension scheme	2,955,593	3,440,902	3,440,902
Kenya power and lighting	52,880,812	48,973,810	48,973,810
Customs and Clearing commisions	5,699,701	5,118,264	5,118,264
Multichoice, Fauiu, Mpesa, Airtel money	2,660,231	5,413,131	5,413,131
TSC Commission	692,880	10,321,890	10,321,890
Minity of Gender and Childrens commissior	60,269,970	39,053,910	39,053,910
Nairobi Water and Other Regional Agencies	33,664,384	69,503,880	69,503,880
Total Agency Revenue	172,719,666	200,910,390	200,910,390
Total Operating Revenue	3,224,183,332	3,101,324,334	3,092,789,057
Non Operating Revenue	40,828,133	22,194,716	22,194,716
Grand Total	3,265,011,465	3,123,519,051	3,114,983,773

Postal Corporation of Kenya
Notes to the financial statements
for the year ended 30th June, 2012

3. Administration Expense

	2011/ 2012	2010/2011
	<u>Kshs</u>	<u>Kshs</u>
Consultancy Charges	2,907,695	8,895,841
Bank Charges	13,421,986	11,519,132
Office Administration	4,535,664	7,636,732
Contingencies	511,305	1,609,735
Insurance	18,047,067	19,372,805
Security Charges	77,758,071	78,226,861
General Stores	8,453,493	15,256,361
Vehicle Running costs	15,706,730	13,971,687
UPU Congress meetings	6,556,360	14,034,811
Others	9,005,004	10,127,393
Tax on fringe benefits		
Total	<u>156,903,374</u>	<u>180,651,359</u>

3a. Staff costs

Salaries and Allowances	1,125,831,979	1,180,999,356
House Allowance	408,886,047	462,459,973
Medical	112,326,626	94,037,068
Early retirement cost		250,000,000
Staff leave gain	3,415,989	(2,627,815)
	<u>1,650,460,641</u>	<u>1,984,868,583</u>

4. Directors Expenses

	2011/2012	2010/2011
	<u>Kshs</u>	<u>Kshs</u>
Directors Sitting Allowance	5,360,000	5,114,000
Directors Honorarium allow.	960,000	960,000
Directors Traveling Subsistence(Local)	118,000	639,320
Directors Traveling Subsistence(External)	5,450,510	930,902
Directors Mileage Allowance	12,088	397,451
Directors Incidental Expenses(Training, Medical Insurance)	1,939,992	660,222
Telephone expenses	60,000	60,000
Total	<u>13,900,590</u>	<u>8,761,895</u>

Postal Corporation of Kenya
Notes to the financial statements
for the year ended 30th June, 2012

5. Operational Expense

	2011/2012 <u>Kshs</u>	2010/2011 <u>Kshs</u>
Postal Agencies	5,198,618	4,885,766
Office Administration Expenses	7,413,145	6,961,537
General Stores	48,481,485	40,769,357
Supply of Stamps	4,810,947	160,518
Vehicles Running Expenses	131,430,964	118,638,767
Compensation	821,849	1,340,696
Operating License	16,666,756	15,428,408
Freight charges	249,543	14600
Total	<u>215,073,307</u>	<u>188,199,651</u>

6. Conveyance of mail

	2011/2012 <u>Kshs</u>	2010/2011 <u>Kshs</u>	2010/2011 <u>Kshs</u>
		RESTATED	
Road	10,124,300	9,739,667.00	9,739,667
Air Internal	4,434,937	7,068,653.76	2,664,530
Air International	134,223,652	79,545,522.38	79,545,522
TOTAL	<u>148,782,889</u>	<u>96,353,843</u>	<u>91,949,719</u>

7. International Services Expense

	2011/2012 <u>Kshs</u>	2010/2011 <u>Kshs</u>
International Parcel Services -	78,487,332	55,014,043
International Mail Services -	72,643,204	20,243,576
Total	<u>151,130,536</u>	<u>75,257,619</u>

Postal Corporation of Kenya
Notes to the financial statements
for the year ended 30th June, 2012

8. Rental Expense

	2011/2012 <u>Kshs</u>	2010/2012 <u>Kshs</u>
Site Rentals	7,264,588	7,767,754
Office Rentals	224,576,790	183,233,506
Total	<u>231,841,378</u>	<u>191,001,260</u>

9. Maintenance

	2011/2012 <u>Kshs</u>	2010/2011 <u>Kshs</u>
Office Equipment	4,373,965	4,728,458
Information Technology	1,497,292	857,008
Building Repairs and Refurbishment	32,348,874	32,549,797
Total	<u>38,220,130</u>	<u>38,135,263</u>

10. Training Expense

	2011/2012 <u>Kshs</u>	2010/2011 <u>Kshs</u>
Training DIT	969,676	3,360,338
Local Training	9,881,484	12,698,486
Total	<u>10,851,160</u>	<u>16,058,825</u>

11. Telephone and Data Communication

	2011/2012 <u>Kshs</u>	2010/2011 <u>Kshs</u>
Telephone lines	13,465,835	15,289,368
Data communication	28,189,494	32,916,060
Total	<u>41,655,329</u>	<u>48,205,429</u>

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Postal Corporation of Kenya
 Notes to the financial statements
 for the year ended 30th June, 2012

12. Pension expense

	2011/2012 <u>Kshs</u>	2010/2011 <u>Kshs</u>
Pension fund	98,058,043	98,009,868
Gratuity	3,040,200	3,040,200
NSSF	7,992,400	8,940,600
Total	<u>109,090,643</u>	<u>109,990,668</u>

13. Other Expenses

	2011/2012 <u>Kshs</u>	2010/2011 <u>Kshs</u>
Furniture and Fittings (Repairs)	483,403	558,774
Electricity/Water	41,136,480	24,072,294
Staff Awards	1,021,584	2,130,480
PCK Sporting Activities	3,964,328	6,479,283
Legal Expenses	12,016,541	7,378,365
Health, Safety Environment (HSE)	15,811,899	15,938,557
Shows and Exhibitions	5,739,443	5,772,761
Electronic Media Adverts	7,252,541	8,307,100
Print Media Adverts	17,923,239	10,519,132
Outdoor advertisement	1,771,721	1,480,365
Entertainment	302,468	944,581
Audit fees	2,500,000	2,500,000
Total	<u>109,923,647</u>	<u>86,081,691</u>

Postal Corporation of Kenya
Notes to the financial statements
for the year ended 30th June, 2012

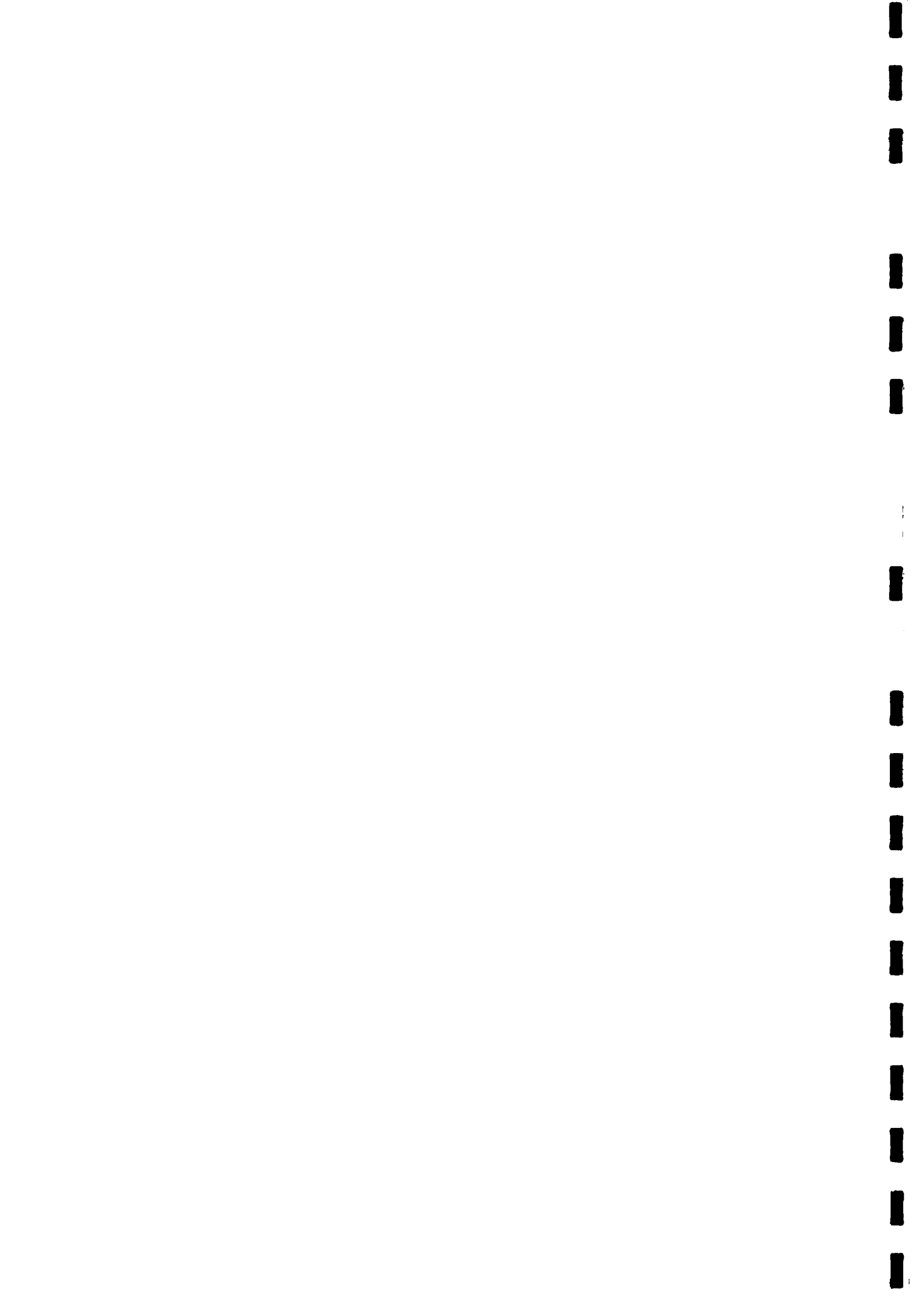
14. Non-Operating Revenue	2011/2012 <u>Kshs</u>	2010/2011 <u>Kshs</u>
Bank Interest	33,628,099	6,226,116
Staff loans interest	2,343,739	3,581,441
Sale of Tender documents	2,573,401	2,418,480
Gain/Loss on disposal of Vehicles	1,402,958	-1,326,605
Sale of Stores	691,897	501,465
Commission on Cash Salaries	188,040	402,240
KPOSB Interest	-	10,391,579
Prepayment recovery (See Note 17)	-	<u>11,057,739</u>
Total	<u>40,828,133</u>	<u>33,252,455</u>

15. Non Operating Expenditure	2011/2012 <u>Kshs</u>	2010/2011 <u>Kshs</u>
Interest on excess deposit (KPOSB)	<u>12,669,369</u>	<u>7,917,023</u>
	<u>12,669,369</u>	<u>7,917,023</u>

16. Bad debts written off	2011/2012 <u>Kshs</u>	2010/2011 <u>Kshs</u>
Zadok Furniture	212,282	
KPOSB Loss	<u>238,762</u>	
	<u>451,044</u>	

17. Finance charge	2011/2012 <u>Kshs</u>	2010/2011 <u>Kshs</u>
Interest on loans	<u>35,692,466</u>	<u>14,874,244</u>

18. Provision for Contigent Liabilities	2011/2012 <u>Kshs</u>	2010/2011 <u>Kshs</u>
NSSF Arrears	121,796,920	
Retrenchement dispute award	36,560,753	
Provison for lost cash	9,055,237	
	<u>167,412,910</u>	<u>-</u>



19. Property, Plant and Equipment

	LAND	BUILDINGS	MOTORS VEHICLES	FURNITURE AND OFFICE EQUIP.	COMPUTERS	W. I. P.	GRAND TOTAL
COST VALUATION	1,086,575,000	2,144,039,999	245,409,864	738,278,530	83,113,344	59,083,038	4,356,499,774
At 1/7/2010							
ADDITIONS		15,945,756	3,773,728	41,514,783	25,100,414	1,217,419	87,557,100
DISPOSALS	(217,000,000)	(517,600,000)	(10,206,893)			(24,322,544)	(769,129,437)
AS AT 30/06/11	869,575,000	1,642,385,755	238,981,699	779,793,313	108,213,758	35,977,913	3,674,927,437
DEPRECIATION AS AT 1.7.2010	-	139,911,157	74,228,117	206,770,538	42,216,479	-	463,126,290
CHARGE FOR THE YEAR	-	32,528,800	36,472,160	73,827,853	16,622,669	-	159,451,481
DISPOSALS	-	(34,506,666)	(2,841,575)	-	-	-	(37,348,241)
AS AT 30/06/11	-	137,933,290	107,851,701	280,598,391	58,839,148	-	585,229,530
NET BOOK VALUE:							
AS AT 30 JUNE 2011	869,575,000	1,504,452,664	131,123,998	499,194,922	49,374,610	35,977,913	3,089,697,907
AS AT 30 JUNE 2010	1,086,575,000	2,004,128,842	171,181,747	531,507,992	40,896,865	59,083,037	3,893,373,483
COST VALUATION 1/7/2011	869,575,000	1,642,385,755	238,981,699	779,793,313	108,213,758	35,977,913	3,674,927,437
At 1/7/2011							
ADDITIONS		2,630,084	7,796,900	11,170,332	23,132,225	22,585,432	67,314,974
Capitalised		1,217,419				(1,217,419)	
DISPOSALS						(402,209)	(1,102,209)
AS AT 30/06/12	869,575,000	1,646,233,258	246,078,599	790,963,645	130,943,774	57,345,926	3,741,140,203
DEPRECIATION AS AT 1.7.2011	-	137,933,290	107,858,701	280,598,391	58,839,148	-	585,229,530
CHARGE FOR THE YEAR	-	32,662,115	36,840,531	77,979,331	20,923,413	-	168,405,390
DISPOSALS	-		(505,556)		(239,287)		(744,843)
AS AT 30/06/12	-	170,595,405	144,193,677	358,577,722	79,523,274	-	752,890,077
NET BOOK VALUE:							
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

Postal Corporation of Kenya
Notes to the financial statements
for the year ended 30th June, 2012

	2011/2012	2010/2011 RESTATED	2010/2011
	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
Current Assets			
Note 20.			
Inventories			
Consumable Stores	10,421,089	6,618,079	6,618,079
Total Inventories	<u>10,421,089</u>	<u>6,618,079</u>	<u>6,618,079</u>
Note 21			
Trade and Other Receivables			
Service Debtors			
Foreign Administration	647,162,414	779,212,903	770,878,211
E M S	222,026,661	178,140,694	178,140,694
Less:Provision for Doubtful debts	(331,822,099)	(331,822,099)	(331,822,099)
Bulky Postage	188,817,840	178,468,749	178,468,749
Money Orders Inter-state	95,148,847	94,414,033	94,414,033
Postapay	177,742,768	189,191,017	189,191,017
Rent Receivable	184,746,066	176,794,199	176,593,613
Rent Deposits	687,698		
Agency:			
Kenya Post Office Savings Bank	1,225,114,538	1,211,218,443	1,211,218,443
Telkom Kenya Limited	403,648,938	403,648,938	403,648,938
Telposta Pension Scheme	55,260,784	38,394,752	38,394,752
Other Agency Debtors	196,149,928	109,177,599	109,177,599
Total service Debtors	<u>3,064,684,382</u>	<u>3,026,839,228</u>	<u>3,018,303,950</u>
Other Debtors			
Suppliers - Zadock Furniture Systems	-	212,282	212,282
Customs and Excise	2,350,982		
Staff Advances	51,525,692	59,294,642	59,294,642
Other Deposits(court attachments,Tuition fees..)	19,037,623	6,910,706	6,910,706
Telkom Kenya Limited	36,478,729	36,478,729	36,478,729
Tax recoverable	3,090,940	33,404,413	33,404,413
Hospitals Deposits	1,400,000	1,400,000	1,400,000
Less:Provision for Doubtful debts(Posta Pay)	(12,970,337)	(12,970,337)	(12,970,337)
Net Other Debtors	<u>100,913,628</u>	<u>124,730,434</u>	<u>124,730,434</u>
Total debtors	<u>3,165,598,010</u>	<u>3,151,569,662</u>	<u>3,143,034,384</u>
Note 22.			
Cash and Bank Balance			
Cash on Hand	126,415,287	205,363,088	205,363,088
Bank Balances	1,426,010,751	1,047,752,748	1,047,752,748
Cash in transit	21,387,838	30,180,473	30,180,473
Total	<u>1,573,813,876</u>	<u>1,283,296,308</u>	<u>1,283,296,308</u>

* The amount is restated as per note 26

Postal Corporation of Kenya
Notes to the financial statements
for the year ended 30th June, 2012

Note 23 . Current Payables	2011/2012	2010/2011	2010/2011
	Kshs	Restated Kshs	Kshs
Trade and other Payables			
Service Creditors			
Foreign Administration	242,841,881	299,324,811	299,324,811
Money Orders/IFS	123,098,773	115,089,388	115,089,388
Postapay(Revenue Share and Network fees)	92,544,072	92,544,072	92,544,072
New Posta pay EFT	51,876,270	52,908,633	52,908,633
Postal Orders	5,303,855	5,701,582	5,701,582
Key Letter Box Deposits	130,614,710	120,397,525	120,397,525
Rental Deposits	1,427,114	1,359,982	1,359,982
TKL- Telephone and Telegraph	380,992,893	380,992,893	380,992,893
Conveyance of Mail	89,855,468	63,823,243 *	59,419,119
Agency Accounts	988,191,150	869,694,422	869,694,422
Total Service Creditors	2,106,746,185	2,001,836,551	1,997,432,427
Other Creditors			
Statutory	12,901,476	11,752,818	11,752,818
Deposits for sale of land	9,265,002		
Bank Loan(Current portion)	50,000,000	50,000,000	
EFT mobile charges	-	19,381,361	19,381,361
Pensions and Gratuities	18,699,643	16,701,942	16,701,942
Value Added Tax withholding	-	5,926,262	5,926,262
Safaricom rent	5,651,250	6,950,467	6,950,467
Retrenchment costs	3,600,215	47,217,534	47,217,534
Provision for staff leave	5,834,491	2,418,503	2,418,503
Institutions Insurances	3,857,988	3,480,968	3,480,968
Cooperatives	14,290,207	15,565,045	15,565,045
Kenya Post Office Savings Bank	1,539,279,230	1,556,557,766	1,556,557,766
Faulu Kenya	22,141,717	-	-
Bank Staff Loans	29,969,098	7,166,314	7,166,314
Telkom Kenya Limited	5,942,828	5,942,828	5,942,828
Administration	69,142,002	17,662,317	17,662,317
Operational	6,447,965	7,827,099	7,827,099
Rentals	86,137,804	66,149,569	66,149,569
Contigent liabilities	167,412,910		
Training	-	7,526,208	7,526,208
Deferred Projects	123,525,504	123,525,504	123,525,504
Contract work	617,794	1,902,024	1,902,024
Suppliers:			
Local Suppliers		6,263,033	6,263,033
Other creditors	28,708,918	30,242,528	30,242,528
Miscellaneous	62,068,331	60,975,964	60,975,964
Total others	2,265,494,372	2,071,136,053	2,021,136,053
Total Current Payables	4,372,240,557	4,072,972,604	4,018,568,480

* The amount is restated as per note 26

Postal Corporation of Kenya
Notes to the financial statements
for the year ended 30th June, 2012

24. Bank Loan

	2011/2012	2010/2011
	<u>KShs</u>	<u>KShs</u>
Balance at the beginning of the year	229,166,668	2,965,466
Borrowings		250,000,000
Current portion of the loan	-50,000,000	
Repayment during the year	-50,000,000	-23,798,798
Balance at the end of the year	<u>129,166,668</u>	<u>229,166,668</u>

25. Pension fund

	2011/2012	2010/2011
	<u>KShs</u>	<u>KShs</u>
Balance at the beginning of the year	536,000,000	1,547,515,481
Remedial plan payments	(14,600,000)	
Transfer of property	0	-928,149,100
Actuarial Adjustments		-83,366,381
Balance as at close of the year	<u>521,400,000</u>	<u>536,000,000</u>

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

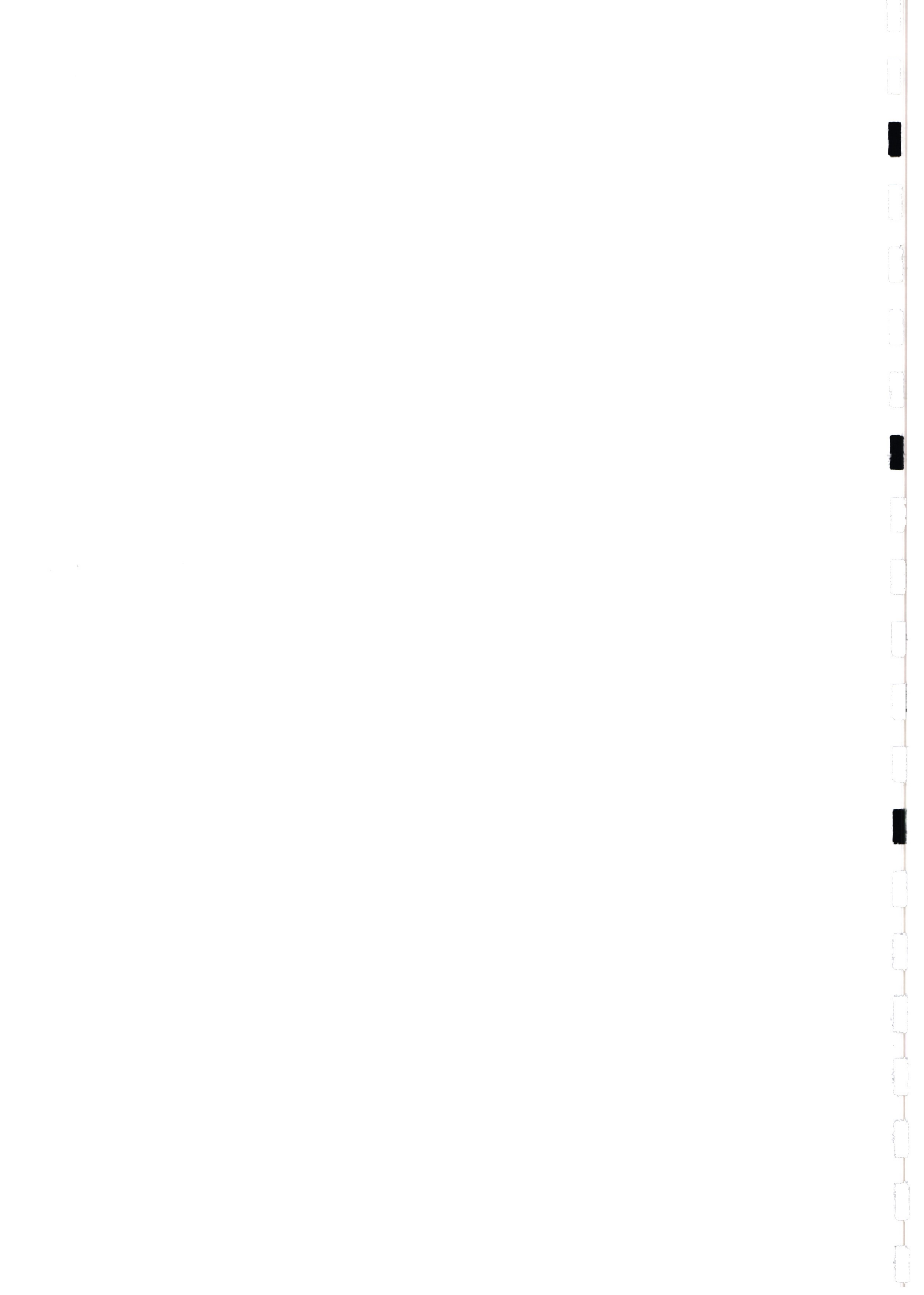
26. Prior Year Adjustment

	2011/2012	2010/2011
	<u>KShs</u>	<u>KShs</u>
International Account services	(8,334,691)	
Rent Income (Kericho post office)	(200,586)	
Posta pay		
Conveyance of international mail	4,404,124	
	<u>(4,131,153)</u>	<u>-</u>

* International services revenue of Ksh 8,334,691 proper to the previous year

* Rental income of Kshs. 200,586 proper to previous year

* Conveyance of international mail expense of Kshs. 4,404,124 proper to previous financial year



Postal Corporation of Kenya
Notes to the financial statements
for the year ended 30th June, 2012

27. Reconciliation of Cash generated from Operations
Working capital changes

	2011/2012	2010/2011	2010/2011
		RESTATED	
	Kshs	Kshs	Kshs
Profit before/loss tax	2,546,663	(71,232,041)	(75,363,194)
Adjustment for			
Depreciation	168,405,390	159,451,481	159,451,481
Gain/loss on disposal of fixed assets	(1,402,958)	1,326,605	1,326,605
Staff leave provision	3,471,374	(2,627,815)	(2,627,815)
Provision for gratuity	3,040,200	4,279,103	4,279,103
Operating profit before working capital changes	176,060,669	91,197,333	87,066,180
(Increase)/ Decrease in trade receivables	(14,028,348)	(41,938,205)	(33,402,928)
(Decrease)/Increase in trade and other payables	299,267,953	431,660,787	427,256,663
Increase/(Decrease) in stock	(3,803,010)	8,475,890	8,475,890
Cash generated from operations	457,497,264	489,395,806	489,395,806

28. Currency

The Financial statements are presented in Kenya Shillings (KShs)