

REPUBLIC OF KENYA



*Enhancing Accountability*

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 07 JUN 2023	DAY: Wednesday
TABLED BY:	Hon. Kimani Ichung'wa (Majority Party Leader)
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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**POSTAL CORPORATION OF KENYA**

**FOR THE YEAR ENDED  
30 JUNE, 2022**



*Touching Lives*  
OFFICE OF THE AUDITOR GENERAL  
P.O. Box 30984 - 00100, NAIROBI  
REGISTRY

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**POSTAL CORPORATION OF KENYA**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2022**

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

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**I.KEY PCK INFORMATION**

**Background information**

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

**Principal Activities**

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

**Directors**

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

Mr. Daniel Kagwe	-Chief Executive Officer/Postmaster General appointed on 10 <sup>th</sup> March 2020
Mr. Eric K.Bett	- Vice Chairman- Appointed on 18 <sup>th</sup> October 2019
Mr. Munyua Waiyaki	-Appointed on 3 <sup>rd</sup> May 2019
Mrs Jennifer A.Oywer	-Appointed on 6 <sup>th</sup> May 2019
Mrs. Freda G.Kimathi	-Appointed on 3 <sup>rd</sup> May 2019
Mr. Alister D'Souza	- Appointed on 6th October 2021
Mrs. Esther Sagini Ongoto	-Appointed on 18th October, 2019

Principal Secretary Ministry of Information, Communication and Technology

Alternate Director: Mr. Paul G.Macharia

Principal Secretary, National treasury

Alternate Director: Ms. Elizabeth Shungula

Inspectorate of State Corporations

Alternate Director: Mr. George Ombua

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**Corporate Secretary**

Mr Julius Opini  
P.O. Box 34567 - 00100  
Nairobi  
Kenya

**Registered Office**

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

**Corporate Contacts**

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

**Corporate Bankers**

1. Kenya Commercial Bank  
Moi Avenue  
P.O. Box 30081  
GPO-00100  
Nairobi, Kenya
2. Commercial Bank of Africa  
P.O. Box 30437  
GPO- 00100  
Nairobi  
Kenya
3. Barclays Bank of Kenya  
P.O Box 30120-00100  
Nairobi  
Kenya
4. Cooperative Bank  
Co-operative House,  
P.O. Box 48231 - 00100, Nairobi Kenya

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**Independent Auditors**

Auditor General  
The Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
GPO 00100  
Nairobi, Kenya

**Principal Legal Advisers**

1. The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya
2. Robson Harris & Co. Advocates  
6th Floor, Transnational Plaza,  
City Hall Way,  
P.O. Box 67845-00200,  
City Square 00200  
Nairobi, Kenya.
3. A.E. Kiprono & Associates  
Utumishi Co-op Hse, 2nd floor,  
Mamlaka rd.  
P.O. Box 45442-00100  
GPO 00100  
Nairobi, Kenya
3. Ombati Ong'au & Co. Advocates  
Josem Trust house, 3rd floor,  
Masaba rd, off Bunyala rd, lower hill  
P.O. Box 73299-00200  
City Square 00200  
Nairobi, Kenya.
4. Kipkenda & Company Advocates,  
Off Riverside Drive  
Behind 9 Riverside Building  
P.O. Box 56832 - 00200,  
City Square 00200  
Nairobi, Kenya.

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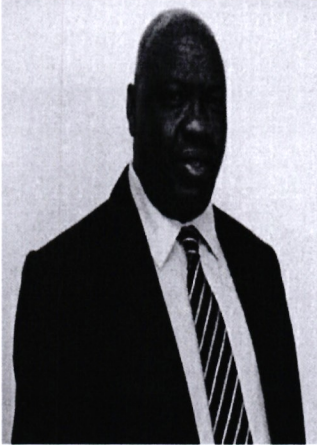

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**Principal Legal Advisers *continues***




5. Githiru & Company Advocates,  
3<sup>rd</sup> Floor, Gibcon House,  
Kenyatta Avenue,  
P.O. Box 12989 - 20100  
Nakuru, Kenya.
  
6. B.O. Akong'o Advocates  
Mache Plaza, 1st flr, rm. 6  
Kijabe row, Nakuru  
P.O Box 17025-20100  
Nakuru, Kenya.
  
7. D.I. Muriuki & Co. Advocates  
Commercial Centre Block C5  
Ring Road Westlands  
P.O Box 69930 – 00400  
Tom Mboya 00400  
Nairobi, Kenya.
  
8. Keengwe & Co. Advocates  
Luther Plaza, 1st flr, right wing, off Nyerere rd.  
Uhuru highway  
P.O Box 55457-00200  
City Square 00200  
Nairobi, Kenya.
  
9. KM&P –K Mberia & partners  
Laxcon House, (next to stima plaza) 7th flr, penthouse;  
Limuru rd, parklands –  
P.O Box 45562-00100  
GPO 00100  
Nairobi, Kenya.
  
10. Lumatete Muchai & Co. Advocates.  
Agip house 3rd flr,  
Entrance A, Haile Selassie Avenue  
P.O Box 5750-00100  
GPO 00100  
Nairobi, Kenya.
  
11. Orende & Co. Advocates  
Hazina Towers, 11th flr  
Utalii Lane  
P.O Box 105876-00101  
Jamia 00101  
Nairobi, Kenya.

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**I. THE BOARD OF DIRECTORS**

Ref	Directors	DOB	Details
1	 <p><b>Mr. Erick Bett</b> Acting Chairman of the Board, Postal Corporation of Kenya</p> <p>Independent Director</p> <p><b>Chairperson</b> Audit Committee</p>	11/12/1960	<p>Mr. Eric Kipkemei Bett is a Business man and was previously a Director at the Kerio Valley Development Authority (KVDA) from 2013 to 2019. He has also served in the initial Board of the Postal Corporation of Kenya from 1999 – 2002 after the split from the Kenya Posts &amp; Telecommunications Corporation.</p> <p>Mr. Bett has also worked in the Office of the President, The Directorate of Personnel and Management (DPM) among other duties in the National Government for over two decades in various capacities</p>
2	 <p><b>Mr. Munyua Waiyaki</b> Independent Director</p> <p><b>Chairperson</b> Finance Committee</p>	05/09/1964	<p>Mr. Munyua Waiyaki holds a BSc in IBA (Accounting &amp; Finance) from United States International University. Munyua is an entrepreneur and has an extensive background in Business Development, Innovation and Change Management. A Business Process Outsourcing Units in Mumbai, New Delhi and Bangalore for the purpose of replicating and transferring the knowledge he has received to assist young Kenyans.</p> <p>He has also developed and implemented strategic plans by collaborating with several Companies in Eastern Europe and the Middle East. Munyua has been engaged in private business for over 30 years.</p>



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<p>3</p>	 <p><b>Ms. Freda Kimathi</b> Independent Director</p> <p><b>Chairperson</b> BDI and HR Committee</p>	<p>18/10/1970</p>	<p>Ms. Freda Nyambura Gachie is the Managing Director and Founding Partner of Card Group East Africa Ltd. She holds a Bachelor's Degree in Business Commerce from Kamala Nehru College of The University of Delhi. She also has an Advanced Diploma in French. Ms. Gachie has extensive expertise in Administration, Management, Leadership and Strategy. She was previously the Country manager, Direct Marketing Communications (<i>now Exp. Momentum</i>) for Cameroon &amp; Gabon. During her tenure at Direct Marketing Communications, she successfully launched country offices in over 14 countries. She has formulated and implemented strategies for Draft Worldwide – A Division of Scanad! PR. Ms. Freda Nyambura Gachie formulated strategies to create an analysis profit system for Kamyn Industries Ltd (IPS K. Ltd.) and formed a strategic partnership to implement and sell socks from the factory, the BATA revolution.</p>
<p>4</p>	 <p><b>Ms. Jennifer A. Oywer</b> Independent Director <b>Chairperson</b> Audit Committee</p>	<p>27/03/1962</p>	<p>Ms. Oywer Jennifer Adhiambo works for the Nairobi City County at the Inoculation Centre currently managing the International Vaccination Centre. She holds a Bachelors Degree of Science in Nursing from the American World University. She has also attended many short courses in Medicine Management Training, Family Training, Interpersonal Management, Vaccine Management among others.</p>
<p>5</p>	 <p><b>Ms. Esther Sagini</b> Ongoto Independent Director</p>	<p>22/02/1965</p>	<p>Ms. Esther Ongoto Sagini is affiliated with the Ongoto &amp; Co. Advocates and she is a small scale farmer in Molo and Naivasha. She holds a Bachelor of Arts Degree from the University of Eastern Africa.</p> <p>She is also qualified in Public Relations and Administration Management with expertise from Government Corporations over the years.</p>





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6	 <p><b>Mr. Alister D'Souza</b> Independent Director <b>Chairperson</b> BDI Committee</p>	10/10/1981	<p>Alister D' Souza has 19 years of global experience in Shipping &amp; Logistics, Supply Chain Management, Rail and Government Advisory.</p>
7	 <p><b>Ms. Elizabeth Shungula</b> Alternate Director</p>	08/11/1977	<p>Ms. Elizabeth Shungula is a Senior Accountant and Economist working with The National Treasury</p> <p>She holds a Bachelor of Commerce, Accounting option from Daystar University and an MBA in Finance from Kenya Methodist University.</p> <p>She is also a qualified CPA (K) holder and a member of ICPAK. Ms. Elizabeth Shungula is currently the alternate Director, Postal Corporation of Kenya Board, representing the Principal Secretary, The National Treasury.</p>
8	 <p><b>Mr. Paul Macharia</b> Alternate Director</p>	03/07/1968	<p>Mr. Paul Gichuki Macharia is the Ag. Chief Economist, Ministry of Information, Communications, Technology, Innovations &amp; Youth Affairs. He holds a Bachelor of Arts Degree in Economics from the University of Nairobi and a Masters of Arts in Economics from Indira Gandhi National Open University in India (2019).</p> <p>Mr.Macharia has previously worked as an Economist in various Ministries' including Transport &amp; Communications, Tourism, Information &amp; Communications and The National Treasury among others since 1996. He has also attended various Management and Leadership Certification programs both within and without the country for the last 15 years.</p> <p>He was also a member of the Joint Secretary, Task force on Rationalization of Postal Corporation of Kenya August 2016 –March 2017. He represents the Principal Secretary, State Department of Broadcasting &amp; Telecommunications, Ministry of Information, Communications, Technology, Innovations &amp; Youth Affairs as an alternate Director of the PCK Board from January 2020.</p>





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9	 <p><b>Dan Kagwe</b> Postmaster General/CEO</p>	23/08/1962	<p>Dan Kagwe has worked extensively in the private sector including the Financial, Courier and Logistics industry in Kenya and the wider East African region for over thirty-three years specifically holding senior Management level capacities at Fedex, Henkel Kenya and Diners Club International before joining Postal Corporation of Kenya in March 2013 as a General Manager in charge of Strategy &amp; Business Development.</p> <p>He holds a Bachelor of Arts Degree (Hons) in Economics &amp; Business Administration along with a Diploma in Marketing &amp; Business Management. As an expert in Business process re-engineering, he has brought in a wealth of experience in Business Development to the Corporation. He is an associate member of the Kenya Institute of Management (KIM) and Marketing Society of Kenya (MSK), as an avid golfer, he served as the Chairman of Kampala Golf Club in Uganda among others.</p>
10	 <p><b>Mr. Julius Opini</b> Secretary to the Board</p>	23/07/1966	<p>Mr Julius Opini is a qualified advocate of the High court of Kenya and Certified Public Secretary currently working with as Corporation Secretary, Posta Kenya.</p> <p>He holds Master of Law degree from the University of Nairobi, Bachelors of Law, Bachelors in Arts (Economics) and Postgraduate Diploma in Law from the Kenya School of Law. Mr Opini has wide experience both in the private and public sectors having previously practiced as an advocate for many years before joining public service. He worked as the County Attorney for Kisii County between February 2014, to January 2017. He was previously the managing partner in Onyoni Opini &amp; Gachuba Advocates for more than ten years</p>





II. EXECUTIVE MANAGEMENT TEAM

Ref	Management	Details
	 <b>Mr. Dan Kagwe</b> Bachelor of Arts in Economics & Business Administration Diploma in Marketing	CEO & Postmaster General
	 <b>Julius Opini</b> Masters of Law, Bachelors of Law, Bachelors Arts (Economics) Postgraduate diploma in Law	Corporation Secretary
	 <b>James Kahonge</b> MSc in Business with IT, BCom Marketing	GM/Courier
	 <b>J.K Tonui –</b> MBA, Bachelor of Arts, Diploma in HRM	GM/ Human Resource Development & Administration

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	<p><b>Muktar Abdullahi</b> BBA Marketing, MBA Strategic Management &amp; Leadership, CPA (K), CIQA, MNQI,</p>	<p>Ag. GM /Operations and Customer Services</p>
	<p><b>Milka Mugwe</b> Masters In Public Admin, Bachelor of Public Admin &amp; Communication</p>	<p>GM/ Mails</p>
	<p><b>Joan Toroitich</b> Bachelor of Education</p>	<p>GM/ Payments</p>
	<p><b>George Hinga</b> Bsc Accounting, MBA Finance, CPA(K), ACCA</p>	<p>Ag. GM/Finance</p>

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	 <b>P.N. Gichuki</b> Bachelor of Arts	Manager Corporate Communications & Public Affairs.
	 <b>M Masinde</b> – MSC in Strategic Management, BBM -Supply Chain	Manager Supply Chain Management
	 <b>David Fundia</b> MBA Strategic Mgt CPA(K)	AGM /Audit and Risk management
	 <b>Alex Lumadede</b> Bachelor of Arts In Military Science	AGM /Security & Investigation

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**III. CHAIRMAN'S STATEMENT**

On behalf of the Board of Directors, I am honoured to present to you our Annual Report for the Financial Year ended 30th June, 2022. The year under review remained challenging for businesses both locally and internationally. Despite the macro-economic improvements across various sectors of the economy, the protracted effects of the COVID-19 pandemic continued to stifle a full economic recovery in Kenya.

Despite the COVID-19 related uncertainty and other macro-economic headwinds, we remained resilient boosting operating revenue as is evidenced by our total operating revenue growth which increased marginally by 6% as will be highlighted in detail by the Post master general's statement. The Corporation through the measures put in place to return it to profitability registered an improved performance compared to financial year 2020/2021 and was able to meet its mandate to Kenyans.

**Operating Environment**

The economy recovered from the crippling effects of the COVID-19 pandemic to expand by 7.5 per cent in 2021 compared to a contraction of 0.3 per cent in 2020. The recovery was mainly driven by resumption of most economic activities after the lifting of the COVID-19 containment measures instituted in 2020 to curb the spread of the virus. The nominal GDP rose from Kshs 10,716.0 billion in 2020 to Kshs 12,098.2 billion in 2021, representing an increase of 12.9 per cent. In 2021, all economic activities registered positive growths except Agriculture, Forestry and Fishing which contracted by 0.2 per cent. Accommodation and Food Services, and Education services that had been severely affected by the pandemic grew significantly faster than those that were less affected in 2020. Economic growth in 2021 was supported by improved performances in key sectors of the economy including; Manufacturing (6.9%), Wholesale and Retail Trade (7.9%), Real Estate (6.7%), Transportation and Storage (7.2%), and Financial and insurance activities (12.5%). In contrast, dry weather conditions that characterized the better part of 2021 adversely affected agricultural production, especially growing of key crops such as maize, beans, vegetables, tea and coffee leading to a contraction in its growth during the review period.

*Kenya Economic Review 2021*

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**Performance**

In the financial year 2021/2022, the Corporation recorded a net surplus of Kshs.291 million compared to a deficit of Kshs. 35 million in the previous period which is an improved position. The improvement was attributed to decrease in provision for bad debts arising from reconciliation between Postbank and PCK. Major gains were registered in expenditure reduction through various cost cutting measures, prudent financial management, dedicated staff and effective guidance from the Board of Directors.

**Future Outlook**

Going forward, the Corporation will remain focused on strategies that will enable it achieve its core mandate. The Corporation's priority areas will include: human capital development, customer service excellence, internal business processes and revenue growth. The Corporation will capitalize on its vast network, good customer relationships and partnerships to provide quality and innovative products and services for more effective public service delivery.

**Conclusion and Appreciation**

As I conclude my statement, I would like to express my sincere gratitude to our customers for playing a significant role in supporting our resilience in the year. I would like to thank the Government of Kenya (GOK) for the renewed interest and commitment to enhance the growth of PCK. Let me express my heartfelt appreciation to all the Directors for their commitment to the Corporation throughout the year. I would equally like to thank the Management and staff for the hard work and commitment in an extremely challenging operating environment. As a Board, we have noted your ability and willingness to adopt to support the business accordingly.



Chairperson

28<sup>th</sup> September,2022

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**IV. REPORT OF THE POSTMASTER GENERAL**

On behalf of the Management and Staff of Postal Corporation of Kenya, I am delighted to share with you highlights on the operational and financial performance of the Corporation for the year ended 30th June, 2022

Already more than two (2) years full into the COVID-19 pandemic, it is sobering to reflect on the ongoing responses to the global pandemic, as well as future disruptions to the postal and courier businesses. The year was characterised by other challenges including adverse weather conditions which was declared a national disaster in September 2021. All these affected both production and consumption goods and services across the economy, PCK was equally affected. Though the pandemic affected our performance during the year, measures taken to slow down the rate of infection, including vaccination, easing of confinement and travel restrictions and opening of schools, led to improved mail, parcels and general postal business. Despite all, the Corporation was able to meet its mandate to Kenyan citizens.

Below are some of the highlights of the key performance indicators that capture the year under review:

**Financial Performance**

The Corporation posted a surplus of Kshs 291 million for the financial year ended 30th June 2022 compared to a deficit of Kshs 35 million achieved in the Financial Year 2020/2021.

**Operational Revenue**

Operating revenue increased to Kshs 2. 535 billion in the year under review from Kshs 2.394 billion recorded in FY 2020/2021 being a 6% increase.

**Operating Expenditure**

Whereas the Corporation operated within the budgeted expenditure during the year, total operating expenditure decreased by 7.3% to Kshs 3. 306 billion compared to the previous year's Kshs 3.255 billion. The decrease in the operating expenditure is as a result of reduced staff, operational and administration costs.

The Corporation is gearing up to realize its vision of becoming the leading provider of innovative Postal and related services. Our commitment to touch people's lives through efficient provision of quality services remains strong, we are confident that we shall continue creating value to our shareholders.

**Appreciation**

On behalf of the Management, I wish to extend our gratitude to the Board of Directors for their guidance and support throughout the year and members of staff for their commitment in serving our customers.



Postmaster General

28<sup>th</sup> September 2022

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**V. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR  
FY 2021/2022**

PCK has 4 themes/ objectives within the current Strategic Plan for the FY 2019/2022. These strategic pillars/ themes/ issues are as follows:

1. Human capital development
2. Customer service excellence
3. Internal business processes
4. Internal business growth

PCK develops its annual work plans based on the above four (4) pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The corporation achieved its performance targets set for the FY 2021/2022 period for its four strategic pillars, as indicated in the diagram below:

REVISED CSP 2019 to 2021/22 : MASTER WORK PLAN / M & E FOR Q3- 2020/21 TO 2021/22					
Strategic Pillar/ objective & Strategies	Milestones	Activities	KPI	Responsibility/ Timeline	Achievements
<b>Objective 1.</b> <b>Human Capital Development:</b> 1.1. Align competencies to over 90% coverage by 2022	1.1.1. Skills audit	1.1.1.1. Identify skills gaps / Address gaps through: training/ deployment	-Framework -Status Reports/ recommendations: placement/ training...	HR/ Mgt March 2022	Framework development on skills audit ongoing to be aligned to PCK's proposed Transformational strategy (Job evaluation & Restructuring)
	1.1.2. Job Evaluation	1.1.2.1. Undertake job analysis and deployment aligned to functional requirements: Review distribution levels for effective delivery: / Identify impact of other underlying issues on output: ailments, alcoholism, absenteeism, misconduct, vested interest.: counsel and seek HR support (ref: Gok PC guidelines)	-Report on analysis/ distribution -Findings/ recommendations/ implementation. -Evaluation report/ No. recruited / deployed	Quarterly (Qtrly ) reviews	
	1.1.3. Restructure	1.1.3.1. Undertake Job Evaluation to form the basis of PCK's restructuring / rationalization			

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1.2. Strengthen performance management culture to achieve 100% strategy execution	1.2.1. Defined interdependencies (adopting respective responsibilities from activities listed herein among others)	1.2.1.2. Develop activity breakdown aligned to all departmental staffs' JDs.... % 1.2.1.3. Define the timeline further to weekly/ quarterly aligned to the M & E frequency...%	Departmental work plans: clearly defined roles within and to other departments -Quarterly reports	HR/ Mgt March 2022	Performance contracts signed with deviation from CSP observed.  Evaluation ongoing
<b>Objective 2. Improve Customer Experience (CX)</b>  2.1. Review Service Charter		2.1.1. Develop CX framework/ Assess processes & procedures against industry practice on customer expectations / Develop & implement a Communication Plan/ Train staff	-Impact assessment report / training)  ROI against budgets No. / impact	BD/ Operations / HR/ F & A	Partially addressed. - Customer complaints resolved Print // social media used / impact assessment pending
	2.1.2. Undertake market audits	2.1.3.1. identify and address product suitability/ implement recommendations	-Report		Not undertaken
2.2. Develop customer service (Cs) policy/ strategies	2.2.1. Identify areas pertaining to customer expectations  2.2.2. Increase First Contact Resolution (FCR) Rate by 100% 2.2.3. Undertake surveys undertaken (customer behaviours...).	2.2.2.1. Assess Customer & personnel Needs / Train (new processes, products/ complaint handling  2.2.3.1. Internal surveys (Customer & Employee related- <b>ref. stds 2.2.2.1.)</b>  2.2.3.2 Data collection , Review commonly raised complaints:	-Assessment mechanism - Report  -Training curriculum & programmes  FCR reports against standards & reports (quarterly)  Report/ impact	BD/ Operations / HR  All  HR/BD/ Operations	Policy not developed  Queue system established. Impact assessment to be undertaken in 2021/22 Qrt 1

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		(including internal lags/ delays);					
<b>Objective 3. Improve processes &amp; procedures</b> 3.1. Review logistics solution	3.1.1. Improve effectiveness and efficiency levels in service delivery	3.1.1.1. Building fleet capacity / alternatives -Introduction of system related solutions (queuing, fleet management, data dashboard...)	Impact assessment report/ <b>Efficiency</b> levels (improved timelines at minimal resources/ input-increased capacity, ...)	RRI Team / BD/ Operations March 2022	Railway adopted for Mombasa route. Impact (cost/ efficiency) assessment not undertaken.		
	3.1.2. Improve logistic (routing)	3.1.2.1. Increased fleet capacity by railway transport and Kenya Airways (Nairobi- Msa, Nanyuki...),	Status report  Impact	2021 to March 2022			
	3.1.3. Post global / AX PostaPesa integration	3.1.3.1. PG/ AX integration and enable user visibility / Test / Go Live/ User adoption / reports		ICT/ Op / payments Q3	Integration finalized And ease of access to reports realized		
3.2. Change PCK's Business expansion model concept	3.2.1. Operate 40 Licensed Post Offices (LPOs') 3.2.2. Conversion of Post Bus to improved fleet capacity	3.2.1.2. Agents/ container placements 3.2.2.1. Bus Conversion and impact: capacity, savings, and efficiency on cargo services against passenger.	No. / ROI	Operations / <b>F &amp; A/ Supply chain</b> End 2022	17 LPO contracts signed Conversion delayed		
<b>Objective 4. Grow revenue by 3%</b>			<b>Projections</b>				
<b>Actuals as at Mid-term</b>			<b>2019/20</b>	<b>2020/21</b>	<b>Jan- June 2021</b>	<b>2021/22</b>	<b>Cumulative</b>
4.1. Mails	2.227Bn	66%	2.5 Bn	1.7 Bn	837M	1.957Bn	6.157Bn
4.2. Courier	799M	24%	1.05 Bn	1 Bn	401M	1.18Bn	3.15Bn
4.3. Payments	69.7M	2%	321M	60M	40M	42.8M	423.8M
4.4. Assets	266M	8%	290M	185M	70M	282M	757M

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<b>Total</b>	<b>3.36 Bn</b>	<b>100%</b>	<b>4.2 Bn</b>	<b>2.9 Bn</b>	<b>1.3 Bn</b>	<b>3.4 Bn</b>	<b>10.48 Bn</b>
4.1. Grow Customer Retention Rate 95%	4.1.1. Develop retention program concepts (Internal & External)		4.1.1.1 Develop & implement Programmes (sales promotions/ visits...) 4.1.1.2. communication plan (sustainable)		-Impact report -Programmes & no. implementation Plan / ROI Report	Business / F& accts	BD/ Business
4.2. Acquire 15 % new customers	4.2.1. Undertake product portfolio analysis 4.2.2. Market segmentation 4.2.3. Tap product/ service new opportunities		4.2.1.1. Undertake Portfolio Analysis / Review market segmentation (Product targeting /uniqueness) and positioning PCK 4.2.3.1.1. Regain lost customers and settle 3 <sup>rd</sup> party customers owed and establish controls for real time settlement, cash flow... 4.2.3.2.1. Establish business solutions (Posta Wallet, Mobile App integration 4.2.3.2.4. Conceptualize a PCK's subsidiary that is commercially driven.		Report: value to customer/ sustainability and contribution to maximizing profits- pricing, brand equity & visibility) -No. of customers & revenues /ROI  No. regained /Payment plan & action	BD/April 22  BD/ Business (Mails. Courier & Payment services)  Feb 2021 ICT/ Payments Operations / F & A/ supply chain	Portfolio analysis not undertaken  Increased business: Government to Government (pass- ports, NHIF, NTSA...) Payments to a number of 3 <sup>rd</sup> party customers made (schools, banks).  Regained 5 lost customers Posta wallet at 60% completion
4.3. Restructure Costs and Liability levels by...%	4.3.1. Debt Management		4.3.1.1. Collect...% of outstanding debts (List of debtors per region, business and assets/ Collection plan 4.3.2.1. 2. Identified Liabilities –retain and regain lost customers) /- Develop payment plans to build trust of customers/ Create a profitable presence /		No. / % / Kshs.  List/Plan /Kshs. / %/ Impact / Report /Plan & action (impact) No. of LPOs per region Revenue/ No. of customers Impact assessment report quarterly	Operations/ Business/ F & A/ RPMs  F & A/ Operations/ Business (Monthly to annually)	Debt collection levels from leases & contract customers increased  Collection plan developed and resources deployed.  17 LPOs operationalized

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		expansion model - rollout 100 License Postal Offices (LPO)/ Enhance compliance / minimize risks			
	4.3.2. Budget review aligned to CSP tasks	4.3.2.1. objective & tasks budget method adopted 4.3.2.1.1. Develop a Cost Avoidance Score and actual savings against 10% target; - Assess efficiency levels of property Management System / Review terms of employment deploy multiple skilled staff.	Ksh. / %/ report -Impact assessment report (Staff Rationalization/ LPOs/ office automation)/ Impact assessment report	F & A HR/ F & A Operations	Savings of 0.7Million realized within the period 2020/21 Cabinet Memo developed
	4.3.3. Grow Asset revenue (rent)	4.3.3.1. Review rents 4.3.3.3.1. Adopt Property Management system towards improved efficiency (timely billing)	Recommendati on Ksh. & No. reviewed Report	Legal / Operations Supply Chain	Review mechanisms established engagement by Q2 2021/22
	4.3. 4. Leasing of excess capacity (space) in postal outlets.	4.3.4.1. List of identified space all regions  4.3.4.3.Undertake the awarding process and communicate (identify channel, )	Space identified/ region/ office/Guideline s /Circular to RPMs RPMs report/ lists	Operations/ F & A/ supply Chain/	Conversion of Post shops to sell of space to be adopted
<b>-The revised budget was on objective and task hence GoK/ PCK performance contract targets were drawn from the CSP</b>					

## **VI. 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 6 non-executive Directors and the Postmaster General (PMG). The Directors are provided with appropriate and timely information so that they can maintain full and effective control over the strategic, financial, operational and compliance issues of the Corporation.

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

The role of the Board includes to:

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

## **VI. CORPORATE GOVERNANCE STATEMENT... Continued**

### **The Process of Appointment, Renewal and Removal of Directors**

The Board comprises of the Chairman, six (6) independent members, who are appointed by the Cabinet Secretary for Information, Communication, Technology, innovation and Youth Affairs from among persons with experience in business and management matters. The Board also includes the Principal Secretaries to the National Treasury and Planning; the Ministry of Information, Communication and Technology and the Postmaster-General as an ex-officio member. The Board is composed of professionals with diverse backgrounds, skills and competencies. Renewal and removal of PCK directors' is done by the Cabinet Secretary for Information, Communication, Technology, innovation and Youth Affairs

The Board is independent and it adheres to the highest standards of corporate governance and ethics as well as ensuring compliance with all applicable laws and the board charter. The Board is committed to ensuring that the Corporation's obligations, roles and responsibilities to its various stakeholders are fulfilled through its corporate governance practices. The Members and Management perform their duties with impartiality, honesty, transparency and accountability, professionalism, care and due diligence and act in good faith to the best interests of the public.

### **Ethics and Conduct**

In addition, the Board is committed to ensuring that ethics and integrity remain at the core of the Corporation's operations. It recognizes that ethical management is key to PCK's sustainability and is therefore, continuously putting in place practices, systems and processes to integrate ethics in all the Corporation's operations. All new Members and staff undergo mandatory induction which includes training on ethical conduct and the commitment to adhere to the principles of the PCK's Code of Ethics.

### **Capacity Building for the Board**

In the FY 2021/2022, the Board was trained on Corporate Governance. The training was conducted by the Kenya School of Government (KSG) and ICPAK with the objective of equipping the Board with the necessary skills to effectively discharge their mandate. The training covered aspects of corporate governance and the operations of Board Audit Committees.

## **VI. CORPORATE GOVERNANCE STATEMENT... Continued**

### **Succession Plan**

Postal Corporation of Kenya maintains a solid board succession plan to enable more effective recruitment as director terms expire and board vacancies approach. Directors' terms are staggered to cap the number of terms expiring at a manageable number each year. This is done in collaboration with the Cabinet Secretary for Information, Communication, Technology, innovation and Youth Affairs.

### **Board Committees**

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

#### **i. Audit and risk management committee**

The mandate of the Committee includes:

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

**VI. CORPORATE GOVERNANCE STATEMENT... Continued**

**ii. Human Resource Committee**

The duties of the Committee include:

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

**iii. Finance and Technical Committee**

The functions of the Committee include to:

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

**iv. Business development and Innovation committee**

The mandate of the Committee includes:

- (a) Oversee the strategic direction of the Corporation's technology, innovation, research and product development programs, management issues, priorities and resource allocation in terms of responding to the Corporation's agreed corporate strategy
- (b) Advise the Board on the principal issues arising that require consideration by the full Board.

## **VI.CORPORATE GOVERNANCE STATEMENT... Continued**

The Committee will also receive from time to time briefings on external developments in relevant technologies and research fields.

### **Board/Committee meetings**

The following is the record of the Board and Committee meetings held during the year ended 30 June 2022

	2021/2022	2020/2021
Main / Special Board	8	12
Audit and risk management	4	4
Human Resource	6	5
Finance	7	4
Business development, and Innovation	5	3

### **Board of Directors Remuneration**

In the financial year 2021/2022, the Corporation's Board of Directors' expenses amounted to Kshs.13,693,275

## VII. MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Statutory Provision

#### (a) Audit

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

### 2. Economic review

The Kenyan economy registered a GDP growth of 7.5 per cent in 2021 compared to a contraction of 0.3 per cent in 2020. Most economic activities recorded positive growths, this was supported by improved performance in key sectors of the economy including; Manufacturing (6.9%), Wholesale and Retail Trade (7.9%), Real Estate (6.7%), Transportation and Storage (7.2%), and Financial and insurance activities (12.5%).

- *Kenyan economic survey 2021*

3. The overall financial position of year 2021/2022 is a net profit of Kshs 291 million before tax.

**Table 1- Financial performance Trend in Kshs millions**

<b>Particulars</b>	<b>2021/2022</b>	<b>2020/2021</b>	<b>2019/2020</b>	<b>2018/2019</b>
<b>Revenue</b>	3598	3,219	2,278	2,661
<b>Expenditure</b>	3,306	3,255	3,521	3,634
<b>Net deficit / before tax</b>	291	-35	-1,243	-972.8
<b>Net deficit/ after tax</b>	291	-35	-1,243	-972.8

**MANAGEMENT DISCUSSION AND ANALYSIS....continued**

**4. Financial performance**

**(a) Revenue**

In the year under review, the Corporation recorded a net profit of Kshs.291 million, this was attributed to a decrease in the provision for bad debts of Kshs.1,058,794,098.76 in respect of Kenya Post Office savings Bank. In addition, the overall operating revenue registered an increase of Kshs 141 million in the year 2021/2022 compared to 2020/2021. The improvement was attributed to increased business due to implementation of initiatives that enhanced operational efficiency.

Significant Increases were noted in-:

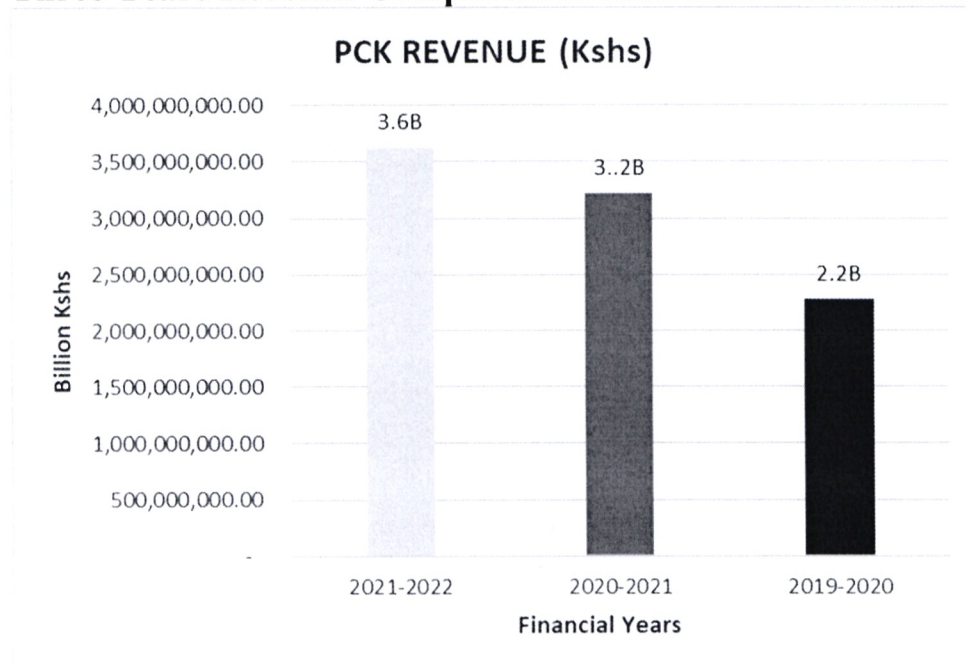
- Parcels Kshs.12million
- Postage in Bulk Kshs.45 million
- Money order commission Kshs.5 million
- EMS Kshs.126 million
- Passport Service Kshs 63 million
- Rent Kshs 11 million
- Posta dispatch Kshs 9 million
- Clearing and forwarding Kshs.6.9 million

Notable decreases were in: -

- Receipts from international services Kshs.25 million
- Sale of Postage stamps Kshs.24 million
- Box/Bag rentals Kshs.83 million
- E-commerce Kshs.8 million
- Regional agency services commission Kshs. 4.2 million

**MANAGEMENT DISCUSSION AND ANALYSIS....continued**

**Three Years Revenue Comparatives 2019/2020-2021/2022 in Billions**

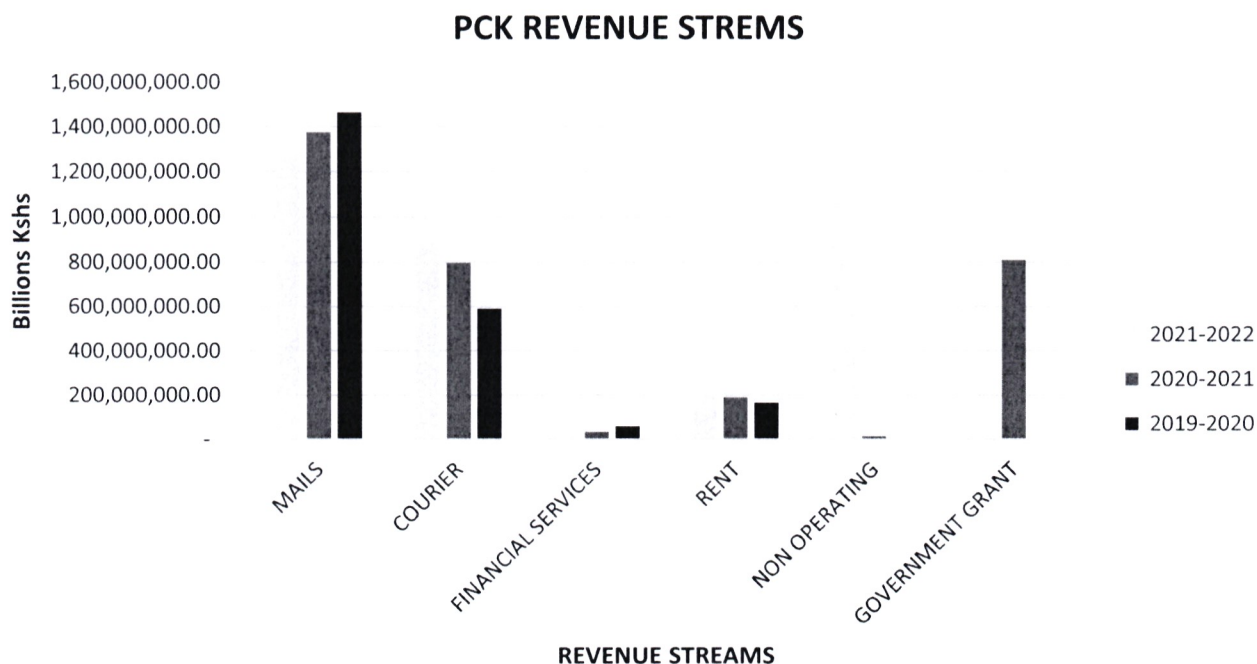


**Table 2: Three Years Revenue Comparatives 2019/2020-2021/2022**

<b>PERIOD</b>	<b>2021-2022</b>	<b>2020-2021</b>	<b>2019-2020</b>
REVENUE (Kshs)	3,598,740,927.65	3,219,514,789.46	2,278,101,002.00

MANAGEMENT DISCUSSION AND ANALYSIS....continued

Revenue Streams Performance Trend from 2019/2020 to 2021/2022



**TABLE 3: Revenue Streams Performance Trend from 2019/2020 to 2021/2022**

<b>PCK REVENUE STREAMS</b>			
<b>FINANCIAL YEAR</b>	<b>2021-2022</b>	<b>2020-2021</b>	<b>2019-2020</b>
MAILS	1,293,936,828.40	1,375,014,643.49	1,463,494,693.85
COURIER	999,295,759.39	796,787,499.15	590,770,012.90
FINANCIAL SERVICES	41,894,863.61	34,180,072.36	58,221,886.61
RENT	200,840,341.78	188,908,631.33	164,381,596.62
NON OPERATING	1,062,773,134.47	14,623,943.13	1,232,812.02
GOVERNMENT GRANT	-	810,000,000.00	-
<b>TOTAL</b>	<b>3,598,740,927.65</b>	<b>3,219,514,789.46</b>	<b>2,278,101,002.00</b>

MANAGEMENT DISCUSSION AND ANALYSIS....continued

REVENUE PERFORMANCE PER STREAM

FINANCIAL YEAR 2021/2022 REVENUE ANALYSIS

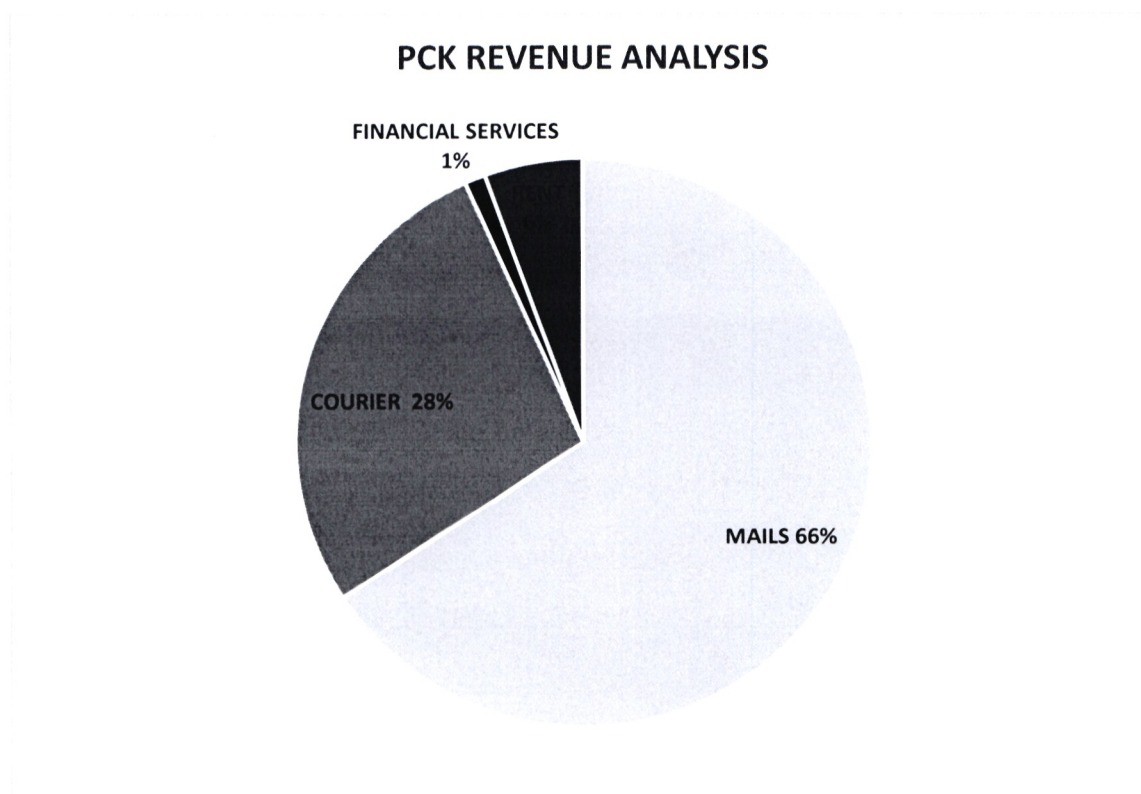


Table 4: 2021-2022 Revenue Performance Per Stream

<b>OPERATING REVENUE ANALYSIS 2021-2022</b>		
<b>SERVICE</b>	<b>REVENUE GENERATED</b>	<b>CONTRIBUTION</b>
MAILS	2,356,709,962.87	66%
COURIER	999,295,759.39	28%
FINANCIAL SERVICES	41,894,863.61	1%
RENT	200,840,341.78	6%
<b>TOTAL</b>	<b>3,598,740,927.65</b>	<b>100%</b>

**MANAGEMENT DISCUSSION AND ANALYSIS.... *continued***

**(b) Operating Expenditure**

Operating expenditure reflected a decrease of Kshs 36 million in 2021/2022 financial year compared to 2020/2021. The decrease in the operating expenditure is as a result of reduced staff, rental and telephone and data communication costs among others as shown below.

**Major Reductions-:**

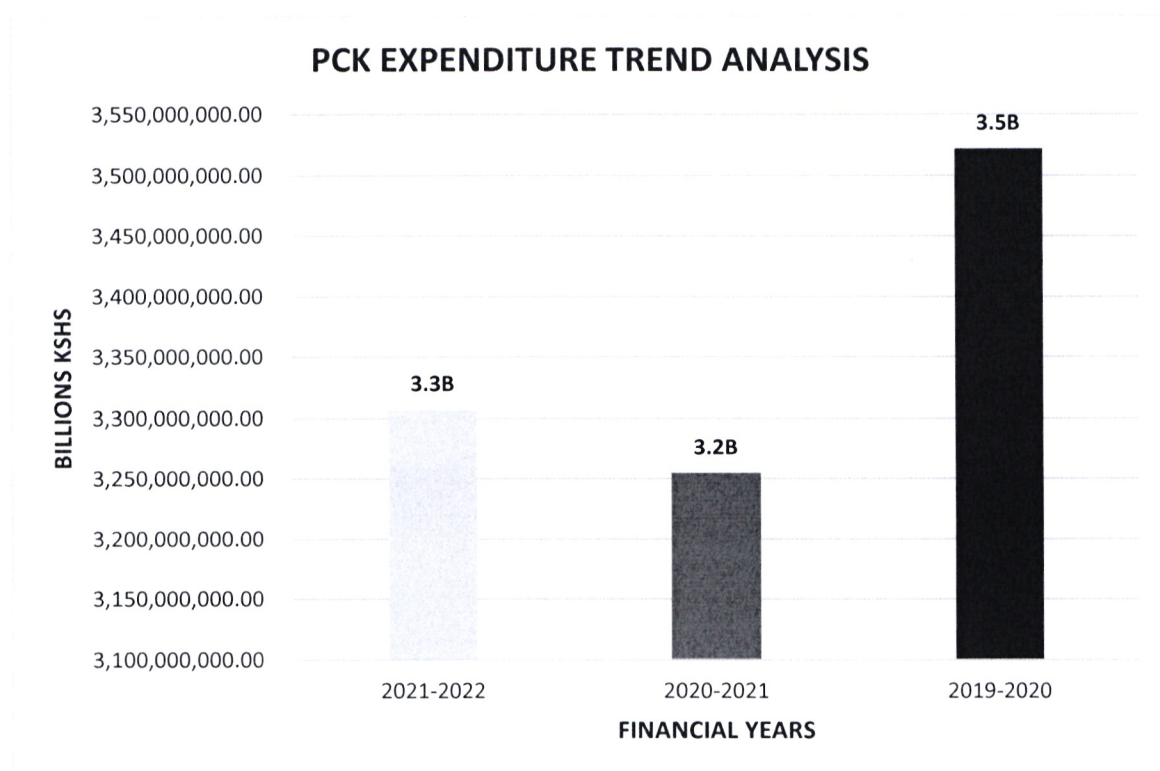
- Staff cost-Kshs.31 million due to reduced staff numbers
- Rental Expenses Kshs.16 million due to relocations
- Telephone and data-Kshs 1.3 million due to data expense decrease

**Major Increments**

- Operational costs increased by kshs. 48 million due to transport hire
- International services increased by Kshs. 10 million due to increase in rates by other foreign administrations
- Other expenses Kshs. 15 million due to increase in legal expenses and advertisements

MANAGEMENT DISCUSSION AND ANALYSIS....*continued*

**Three Years Expenditure Comparatives in Millions**

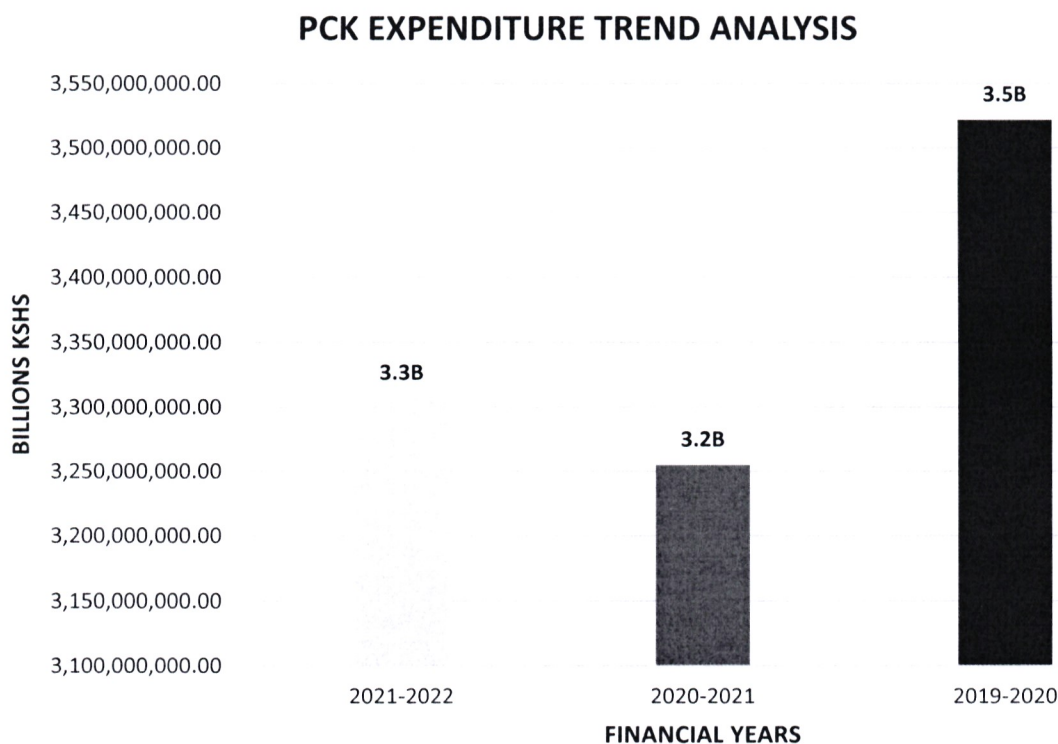


**Table 5: 2019/2020-2021/2022 Three Years Expenditure Comparatives**

<b>EXPENDITURE</b>			
<b>FINANCIAL YEAR</b>	<b>2021-2022</b>	<b>2020-2021</b>	<b>2019-2020</b>
TOTAL	3,306,923,221.40	3,255,036,976.34	3,521,960,897.00

MANAGEMENT DISCUSSION AND ANALYSIS....continued

Three Years Expenditure Items Analysis



**Table 6: Three Years Expenditure Items Analysis 2019-2020-2021/2022**

<b>FINANCIAL YEAR</b>	<b>2021-2022</b>	<b>2020-2021</b>	<b>2019-2020</b>
STAFF COSTS	1,776,452,372.15	1,808,147,814.16	1,916,633,253.00
OPERATIONAL COSTS	1,132,628,030.04	1,063,368,836.99	1,057,031,916.00
ADMINSTRATIVE COSTS	120,501,661.15	118,464,201.13	122,221,986.00
DEPRECIATION	98,496,886.99	97,255,238.99	152,769,408.00
FINANCE COST	178,844,271.07	167,800,885.07	273,167,142.00

MANAGEMENT DISCUSSION AND ANALYSIS....continued

Table 7: 2021/2022 Expenditure Items Analysis

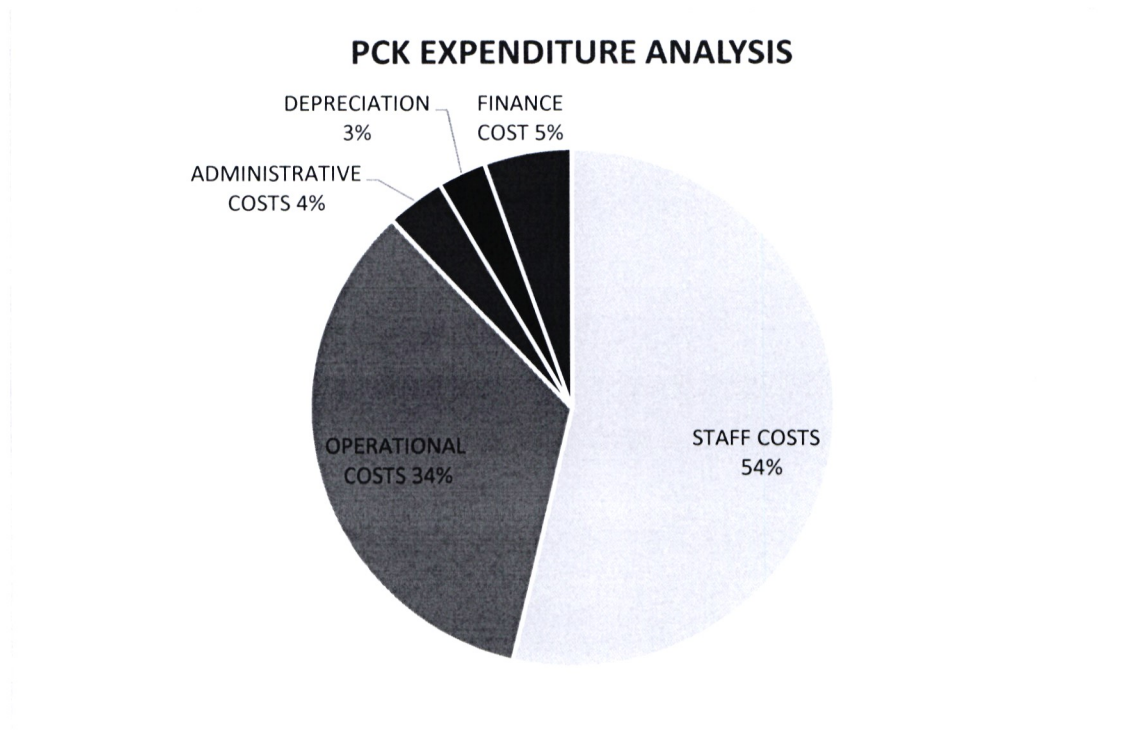


Table 7; Financial Year 2021/2022 Expenditure Analysis

<b>EXPENDITURE ANALYSIS 2021-2022</b>		
<b>SERVICE</b>	<b>EXPENDITURE</b>	<b>CONTRIBUTION</b>
STAFF COSTS	1,776,452,372.15	54%
OPERATIONAL COSTS	1,132,628,030.04	34%
ADMINISTRATIVE COSTS	120,501,661.15	4%
DEPRECIATION	98,496,886.99	3%
FINANCE COST	178,844,271.07	5%
<b>TOTAL</b>	<b>3,306,923,221.40</b>	<b>100%</b>

MANAGEMENT DISCUSSION AND ANALYSIS....*continued*

(c) Financial Results

The financial results reflected an operating profit of Kshs 291 million compared to a loss of Kshs. 35 million in 2020/2021

(d) Ratios

	<u>2021/2022</u>	<u>2020/2021</u>	
Liquidity ratio:	0.21	0.18	Current Assets / Current liabilities
Gearing ratio	0.61	0.62	Total liabilities/ Total Assets
Return on investment	0.02 %	- 0.32%	Net Profit /loss before tax/Total Assets

## **VIII. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

Postal Corporation is a statutory body established by an Act of Parliament, PCK Act Number 3 of 1998 as a public Postal licensee providing Postal services, Postal financial services and any other duty as may be assigned to it. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer first, delivering relevant services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

### **i) Environmental performance.**

PCK is committed to environmental responsibility in the conduct of its business. PCK provides a safe and healthful work place, protecting the environment, and conserving energy and natural resources.

### **ii) Employee welfare**

Postal Corporation has a policy guiding the hiring process which applauds equal opportunity to all Kenyans and takes into consideration Gender ratio, Ethnic balance, Persons with disability (PWD), Qualifications, Skills Experience. PCK has a training policy and a budget for training that ensures improvement of skills through Training needs analysis (TNA) done by line managers. The corporation has a Performance Management Policy (PMS) that guides the workforce the performance appraisal cycle which includes setting targets, evaluations, rewards and sanctions. The employees are rewarded according to their excellent performance and marginal performers are placed on performance improvement plans (PIP). Sanctions are addressed through initiatives that include training.

The Corporation is committed towards promoting and maintaining high standards of Health and safety for employees and Customers, at all business premises and offices. All efforts made by HR to ensure Zero Accidents and no work-related ill health or damages to the environment. The HSE policy is currently on the review processes to re-ump the procedures

### **iii) Market place practices-**

#### **a. Responsible competition practice**

The organization ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors, We offer competitive prices for our products and services. Prices for some of our products and services are approved by the Communication Authority of Kenya.

**b. Responsible Supply chain and supplier relations**

The corporation maintains good business practices and treats its suppliers responsibly by honouring contracts and respecting payment practices through having on time communication with the suppliers and ensuring information given is correct and timely. It carries out supplier sensitization forums that aim to pick areas critical to the business in terms of supply and quality of goods.

**c. Responsible marketing and advertisement.**

The corporation has been able to maintain ethical marketing practices through

- Ensuring that what we communicate is actually what we offer i.e. we do not make false comparisons or make unverified claims. Our business is carried out in compliance with the law.
- Respond to all customer concerns using different mediums of communication.

**d. Product stewardship.**

The Corporation efforts to safeguard consumer rights and interests include.

- Development of the customer service charter in English, Kiswahili and Braille. The charter outlines all relevant information about the product and services and what customers can expect from each service. The charter is available at our outlets countrywide.
- Product information is available on our website: [www.posta.co.ke](http://www.posta.co.ke)
- Terms and conditions for our products and services are clearly articulated on our receipts- (EMS/ Posta parcel receipts)
- Frequently asked questions (FAQ's) are outlined on our website.

**e. Corporate Social Responsibility / Community Engagements**

The Corporation engaged in Social Responsibility programmes within the year. The Corporation participated in the annual World Post Day on 9th October 2021 where it incurred Kshs.320,000 for Cash Prizes for the winners of UPU letter writing competition. The Corporation also paid sponsorship amounting to Kshs.100,000 to Ruth Kiptui Girls Kasok high school.



**Postal Corporation of Kenya**  
**Annual Reports and Financial Statements**  
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By Order of the Board

Name JANE MUYOGO MASARA

Signature 

Date 26.04.2023

Corporate Secretary/Secretary to the Board

**X. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 PCK Act Number 3 of 1998 require the Directors to prepare financial statements in respect of Corporation, which give a true and fair view of the state of affairs of the Corporation at the end of the financial year/period and the operating results of the Corporation for that year/period. The Directors are also required to ensure that the Corporation keeps proper accounting records which disclose with reasonable accuracy the financial position of the Corporation. The Directors are also responsible for safeguarding the assets of the corporation.

The Directors are responsible for the preparation and presentation of the Corporation's financial statements, which give a true and fair view of the state of affairs of the Corporation for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Corporation; (v) selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and PCK Act Number 3 of 1998.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES (Continued)**

The Directors are of the opinion that the Corporation financial statements give a true and fair view of the state of Corporation's transactions during the financial year ended June 30, 2022, and of the Corporation's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of the Corporation's financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

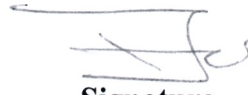
PCK financial statements were approved by the Board on September, 2022 and signed on its behalf by:



**Signature**

Name **PETER KANAIYA**

**Chairperson of the Board**



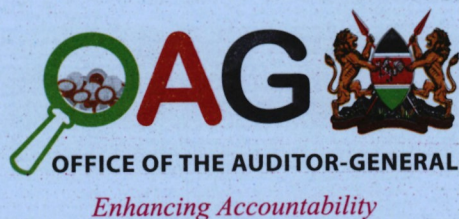
**Signature**

Name **John K. Toussaint**

**Postmaster General**

# REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON POSTAL CORPORATION OF KENYA FOR THE YEAR ENDED 30 JUNE, 2022**

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### **PREAMBLE**

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Postal Corporation of Kenya set out on pages 1 to 43, which comprise of the statement of financial position as at 30 June, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison

of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of matters described in the Basis for Qualified Opinion Section of my report, the financial statements present fairly, in all material respects, the financial position of the Postal Corporation of Kenya as at 30 June, 2022, 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 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Undisclosed Material Uncertainty Relating to Going Concern**

During the year under review, the Corporation recorded a surplus of Kshs.291,817,706 (2021 - a loss of Kshs.35,522,187) as disclosed in the statement of profit or loss and other comprehensive income. The surplus marginally increased the accumulated general reserves to a negative Kshs.6,286,959,377 from negative Kshs.6,437,441,894 reported in the financial year ended 30 June, 2021. Further, the statement of financial position reflects current liabilities balance of Kshs.8,354,899,454 and current assets balance of Kshs.1,606,658,844 resulting to a negative working capital of Kshs.6,748,240,610.

The Corporation's financial statements, therefore, have been prepared on a going concern basis on the assumption that it will continue to receive financial support from the Government, bankers, and creditors. However, this material uncertainty in relation to going concern and any mitigating measures put in place by the Corporation's Management to reverse the position has not been disclosed in these financial statements.

#### **2. Unsupported Expenditure**

The statement of profit or loss and other comprehensive income reflects total operating expenses of Kshs.3,306,923,221, which, as disclosed in Note 8(h) to the financial statements includes Kshs.117,466,598 in respect to other expense. However, expenditures totalling Kshs.4,825,413 were not supported by documents such as work tickets, receipts, a program of activities, original work tickets, attendance registers, receipts, invoices, quotations, evaluation committee minutes and delivery notes

In the circumstances, the propriety, accuracy and completeness of the expenditure of Kshs.4,825,413 could not be confirmed.

#### **3. Unconfirmed Cash and Bank Balance**

Note 12 to the financial statements reflects cash and bank balance of Kshs.361,404,083 which includes Kshs.35,029,491 for E-value balance relating to mobile banking (Mpesa and Airtel money) balances. However, confirmation certificates from the mobile banking operators were not provided for audit.

In the circumstances, the accuracy, existence and completeness of the cash and bank balance of Kshs.35,029,491 could not be confirmed.

#### **4. Land and Buildings Without Ownership Documents**

The statement of financial position reflects property, plant and equipment net book value of Kshs.11,635,661,355 as disclosed in Note 10a to the financial statements. This includes Kshs.9,036,850,000 being the value of land out of which Kshs.1,478,000,000 relates to thirty-four (34) parcels of land in various parts of the County whose ownership is in dispute. As previously reported in 2020/2021 and earlier years, the land parcels had either been encroached on, on double allocation, or alienated. Further, fifty-five (55) parcels of land valued at Kshs.210,210,000 that were vested to the Corporation through legal notice No.156 of 05 November, 1999 did not have title deeds.

In the circumstances, the accuracy, completeness and ownership land with combined value of Kshs.1,688,210,000 could not be confirmed.

#### **5. Unsupported Trade and Other Receivables**

The statement of financial position reflects trade and other receivables balance of Kshs.1,245,254,761 which as disclosed in Note 11 to the financial statements includes Kshs.177,695,268 in respect to Posta Pay transactions receivable after termination of the contract between a service provider and the Corporation. However, supporting documents for the debt was not provided for audit review.

In the circumstances, the accuracy and completeness of the balance of Kshs.177,695,268 could not be confirmed.

#### **6. Unsupported Deferred Projects**

As disclosed in Note 13 to the financial statements, the statement of financial position reflects trade and other payables totalling Kshs.8,354,899,453 which includes Kshs.96,819,339 in respect of deferred projects. The Management explained that the liabilities on deferred projects were vested in the Corporation in 1999 through Legal Notice No.156. The defunct Kenya Postal and Telecommunication Corporation had hired the services of consultants for the design and construction of Kisumu, Kericho, and Malindi Head Post Offices (HPOs). This liability was awarded by High Court based on a project to design and construct the three HPOs, but the defunct Corporation failed to pay the debt. Although the Management indicated that the service was irregular, no documentary evidence was provided for the unpaid liability.

In the circumstances, the accuracy and completeness of the deferred projects liability of Kshs.96,819,339 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Postal Corporation of Kenya Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

## **Other Matter**

### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects a total income budget of Kshs.3,755,000,000 against actual receipts of Kshs.3,598,740,938 resulting in a revenue shortfall of Kshs.156,259,072 or 4% of the budget. The statement also reflects a total final expenditure budget of Kshs.3,167,428,999 against the actual expenditure of Kshs.2,985,855,805 resulting in an under-expenditure of Kshs.181,573,194 or 6% of the budget.

The revenue shortfall and under expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

### **2. Unresolved Prior Year Matters**

As disclosed under follow up on auditor's recommendations on prior year audit issues, various prior year audit issues remained unresolved as at 30 June, 2022. Management has not provided reasons for the delay in resolving the prior year audit issues.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Wasteful Expenditure**

The statement of profit or loss and other comprehensive income and as disclosed in Note 9 to the financial statements is an amount of Kshs.178,844,271 in respect of non-operating expenditure. The balance includes an interest of Kshs.12,000,000 and Kshs.144,504,914 in respect to unpaid SACCO dues and unpaid pensions respectively. The accumulated interest, would have been avoided had the Corporation remitted the SACCO dues and pensions in time.

In the circumstances, the value for money of interest totalling Kshs.156,504,914 in respect of delayed SACCO dues and pensions contributions could be confirmed.

## **2. Doubtful Recovery of Long Outstanding of Receivables**

Note 11 to the financial statements reflects trade and other receivables balance of Kshs.2,746,567,657 which includes Kshs.2,683,762,218 or 98% which has remained outstanding for a long time. Further, the Corporation made a provision of Kshs.1,501,312,896 for bad and doubtful debt, or 55% of the total receivables an indication of a lack of effective debt management. In addition, the trade and other receivables include Kshs.26,787,970 in respect of cash-in-transit fraud committed by employees who have since been dismissed. Although the schedule provided for the audit revealed that Insurance Company has declined to compensate for the loss, Management has not explained the measures taken to recover the same from the former employees.

No evidence of measures put in place by Management to ensure the recoverability of the long outstanding debtors

In the circumstances, the recoverability of the Kshs.26,787,970 is doubtful.

## **3. Unremitted Statutory, Pensions, Gratuity, Staff Loans and Posta Pay EFT**

The statement of financial position and as disclosed in Note 13 to the financial statements reflects trade and other payables balance of Kshs.8,354,899,453. The following anomalies were noted:

- i. Included in the balance is an amount of Kshs.725,033,169 being statutory deductions and excise duty which had not been remitted to the Kenya Revenue Authority. The unremitted deductions continue to attract unnecessary interest and penalties for the period they are unpaid.
- ii. Included in the balance is an amount of Kshs.1,777,397,774 in respect of pensions and gratuities deductions, Kshs.98,798,133 due to Cooperatives, and Kshs.309,846,967 in respect of unremitted staff bank loans which had not been remitted to the relevant institutions. This is contrary to Section19(4) of the Employment Act, 2007 which requires an employer who deducts an amount from an employee's remuneration to pay the amount deducted and remitted within the stipulated time.
- iii. Included in the balance is an amount of Kshs.1,204,471,802 in respect of New Posta Pay EFT relating to revenue collected by the Corporation on behalf of other entities which had not been remitted to the relevant institutions.

In the circumstances, Management was in breach of the law.

## **4. Long Outstanding Trade and Other Payables**

Note 13 to the financial statements reflects trade and other payables balance of Kshs.8,354,899,453 which includes Kshs.76,951,290 in respect of other creditors. Records provided for audit indicate that an amount of Kshs.31,536,616 out of the Kshs.76,951,290 relates to historical payables which have remained unsettled for a long period. Management has not provided measures taken to ensure that the long outstanding historical pending payables are prioritized and paid as required by National Treasury Circular No.10/2020 Ref DGIPE/A/1/80 of 6/6/2020; on prioritization of pending bills.

In the circumstances, the Management was in breach of the law.

## **5. Procurement Outside the E-Procurement System**

During the year under review, the Corporation procured works, goods and services through a manual process instead of the Government recommended e-procurement system. This is contrary to Executive order No.6/2015 and Executive order No.2 of 2018, which directed all public procuring entities to migrate their procurement systems to the e-procurement platform developed by the National Treasury.

In the circumstances, the Management was in breach of the circulars.

## **6. Failure to Adhere to Corporations Leasing Policy**

Physical verification carried out in February, 2023 of sampled properties in various towns revealed the following anomalies:

- i). Permanent structures have been erected in ten (10) Corporation's land contrary to Section 6 of leasing guidelines for the Postal Corporation of Kenya which stipulates that no structures of permanent nature whatsoever shall be allowed in any Corporation property. Further, a report showing all leased land, name of the lessee, size of land leased, parcel number, duration of the lease and nature of building constructed on them was not provided for audit.
- ii). Parcel of land in Kisumu was repossessed by the County Government of Kisumu and stalls were constructed, for Kisumu traders who are reported to be paying rent to the County Government.
- iii). A portion of the parcel of land in Busia was repossessed by the County Government after lying idle for a long time. The Corporation has only fenced about half of the land exposing the remaining portion to possible encroachment.
- iv). Land at Rongo has temporary structures. However, tenants do not pay rent to the Corporation instead it is paid to the County Government. Further, a larger part of the land is idle and unfenced thus exposing it to possible encroachment.
- v). A private company entered into a lease agreement with the Corporation to lease five thousand (5,000) square feet. The size of the space occupied was later changed to two thousand five hundred (2,500) square feet. However, physical verification revealed that Company occupies approximately seven thousand four hundred (7,400) square feet. An explanation for the change has not been provided. Further, the tenant repaired the building and it was agreed that the construction cost be offset from rent payable. However, the asbestos removed was not disposed of as per NEMA approval but was dumped within the Corporation's compound yet the cost was set off against rent payable to the Corporation.

In the circumstances, the Corporation may not obtain value for money for its various leased properties.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities

that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### Basis for Conclusion

#### 1. Failure to Charge Rent in Respect of Huduma Centres

According to the memorandum of understanding and agreement dated 17 October, 2013 signed between the Postal Corporation of Kenya and Huduma Secretariat, the Corporation hosts Huduma Kenya on its premises. The memorandum expired on 16 October, 2018. However, according to the Corporation, despite having a formal engagement through Committees, Huduma Centre Management has failed to sign the new contract. Currently, there is no formal contractual agreement between the two entities, and Huduma Kenya continue occupying office spaces in various postal offices spread across the country, for which no rent is charged, hence denying the Corporation the much needed-income.

#### 2. Lack of Approved Rates for Rental Income

Field inspection of post offices in various regions revealed that the Corporation had leased out parcels of land and properties to third parties. Examination of a sample of lease agreements provided at the regions revealed that the Corporation used arbitrary rates for tenants even in locations where tenants occupy the same office space or land. This is an indication of a lack of competitive and standardized rates to determine rent payable. Further, no evidence was provided indicating that a market survey was carried out by the Corporation to obtain maximum returns on rent due.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### Responsibilities of Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Corporation or to cease operations.

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

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

In addition to the responsibility for the preparation and presentation of financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Corporation's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit

Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

12 May, 2023

**XII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2022.**

	<b>Notes</b>	<b>2021/2022</b>	<b>2020/2021</b>
		<b>KSHS</b>	<b>KSHS</b>
<b>OPERATING REVENUES</b>			
Operating revenue	2	2,535,967,793	2,394,890,846
Finance income	3	3,048,165	102,126
Other Income	4	1,061,515,209	183,560
Other gains and losses	5	(1,790,239)	14,338,257
		<u>3,598,740,928</u>	<u>2,409,514,789</u>
Government Grant	6	-	810,000,000
<b>Total revenue</b>		<b><u>3,598,740,928</u></b>	<b><u>3,219,514,789</u></b>
<b>OPERATING EXPENSES</b>			
Administrative expenses	7	1,896,954,033	1,926,612,015
Operational expenses	8	1,231,124,917	1,160,624,076
Finance costs	9	178,844,271	167,800,885
<b>Total operating expenses</b>		<b><u>3,306,923,221</u></b>	<b><u>3,255,036,976</u></b>
<b>Operating Surplus/(Deficit)</b>		<b>291,817,706</b>	<b>(35,522,187)</b>
<b>Net surplus/(Deficit) before tax</b>		<b>291,817,706</b>	<b>(35,522,187)</b>
Income tax expense		-	-
<b>Net Surplus/(Deficit) after Tax</b>		<b><u>291,817,706</u></b>	<b><u>(35,522,187)</u></b>

**XIII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022**

		<u>2021/2022.</u> <b>KSHS</b>	<u>2020/2021</u> <b>KSHS</b>
<b>Assets</b>	<b>Notes</b>		
<b>Non- Current Assets</b>			
Plant Property and Equipment	10.a	11,635,661,355	11,653,475,776
Intangible asset	10.b	314,482,473	315,410,473
		<u><b>11,950,143,828</b></u>	<u><b>11,968,886,249</b></u>
<b>Current Assets</b>			
Trade and Other Receivables	11	1,245,254,761	1,143,460,912
Cash and Bank	12	361,404,083	335,027,648
		<u><b>1,606,658,844</b></u>	<u><b>1,478,488,560</b></u>
<b>Total Assets</b>		<u><b>13,556,802,672</b></u>	<u><b>13,447,374,809</b></u>
<b>Reserves and Liabilities</b>			
<b>Current liabilities</b>			
Trade & Other payables	13	8,354,899,454	8,366,682,985
		<u><b>8,354,899,454</b></u>	<u><b>8,366,682,985</b></u>
<b>Reserves</b>			
General reserve	14	(6,286,959,377)	(6,437,441,894)
Revaluation Reserve	15	11,318,554,398	11,318,554,398
Total Reserves		<u><b>5,031,595,020</b></u>	<u><b>4,881,112,503</b></u>
<b>Non Current liabilities</b>			
CBA Loan	16	170,308,198	199,579,321
Total Non Current liabilities		<u><b>170,308,198</b></u>	<u><b>199,579,321</b></u>
<b>Total Reserves and Liabilities</b>		<u><b>13,556,802,672</b></u>	<u><b>13,447,374,809</b></u>

The Financial Statements on pages 1 to 35 were approved by the Board of Directors on September 2022 and were signed on its behalf by;

**Chairperson**.....

Date: 26.04.2023

**Postmaster General**.....

Date: 26.04.2023

**General Manager Finance**.....

ICPAK NO.....13536..... Date: 26.04.2023

XIV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

	Note	General Reserve	Revaluation Reserve	Total
<b>As at 1 July 2020</b>		(6,401,919,707)	11,319,095,198	4,917,175,491
Net profit / Deficit for the year		(35,522,187)	-	(35,522,187)
Revaluation Adjustments			800,200	800,200
Revaluation Gain			(1,341,000)	(1,341,000)
<b>As at 30 June 2021</b>		<b>(6,437,441,894)</b>	<b>11,318,554,398</b>	<b>4,881,112,504</b>
<b>Revaluation Adjustments</b>			-	-
<b>Write Down of Tax Recoverable</b>		<b>(141,335,189.16)</b>	-	<b>(141,335,189)</b>
<b>Net profit / Deficit for the year</b>		<b>291,817,706</b>		<b>291,817,706</b>
<b>As at 30 June 2022</b>		<b>(6,286,959,377)</b>	<b>11,318,554,398</b>	<b>5,031,595,021</b>

XV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2021/2022. KSHS	2020/2021. KSHS
Cash receipts from customers		2,698,157,376	2,955,358,192
Cash paid to suppliers and staff		(2,546,065,892)	(2,986,802,652)
<b>Cash generated from operations</b>		<b>152,091,484</b>	<b>(31,444,461)</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of assets		3,401,500.00	800,000
Purchase of Property and Equipments	10	(73,853,242)	(17,864,014)
Interest income	3	3,031,665	102,126
Cash advanced to staff		(6,684,492)	(12,674,103)
<b>Net cashflow from Investing activities</b>		<b>(74,104,570)</b>	<b>(29,635,991)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Bank loan	16	-	200,000,000
Loan Repayments	16	(29,271,123)	(20,037,508)
Loan interests	16	(22,339,357)	(19,061,498)
<b>Net cashflow from financing activities</b>		<b>(51,610,480)</b>	<b>160,900,995</b>
Net Increase /Decrease in PCK Cash		26,376,434	99,820,543
Cash and Cash Equivalent at beginning		<b>335,027,649</b>	<b>235,207,106</b>
<b>Cash and Cash Equivalent at year end</b>		<b>361,404,083</b>	<b>335,027,649</b>

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**XVI.STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2022**

Description	Original budget 2021/2022.	Adjustment 2021/2022.	Final budget 2021/2022.	Actuals 2021/2022.	Performance difference	% of Utilization
<b>REVENUE</b>	4,351,121,000	(1,184,437,000)	<b>3,755,000,000</b>	<b>3,598,740,928</b>	<b>(156,259,072.35)</b>	
<b>Less OPERATING EXPENDITURE</b>						
Staff Cost	1,997,053,000	(154,480,400)	<b>1,957,734,749</b>	1,776,452,372	(181,282,376.85)	-9%
Administration Cost	164,298,600	(28,508,000)	<b>135,790,600</b>	106,808,386	(28,982,213.58)	-21%
Directors Expenses	20,220,000	-	<b>20,220,000</b>	13,693,275	(6,526,725.27)	-32%
Operational Cost	382,485,600	(114,102,950)	<b>268,300,250</b>	315,879,027	47,578,776.50	18%
Conveyance of Mail	140,504,000	18,000	<b>140,522,000</b>	169,604,982	29,082,982.03	21%
International Services Exper	51,018,800	(18,800)	<b>51,000,000</b>	106,462,348	55,462,347.60	109%
Rental Expenses	211,020,800	33,597,000	<b>229,997,000</b>	234,229,321	4,232,320.57	2%
Maintenance Expenses	130,039,200	(9,024,800)	<b>121,014,400</b>	94,077,463	(26,936,936.76)	-22%
Training Expenses	17,399,000	(8,419,000)	<b>8,980,000</b>	12,018,380	3,038,379.94	34%
Telephone and Data	53,794,000	1,397,000	<b>55,191,000</b>	39,163,654	(16,027,345.58)	-29%
Other expenses	199,165,000	(20,486,000)	<b>178,679,000</b>	117,466,598	(61,212,402.13)	-34%
	<b>3,366,998,000</b>	<b>(300,027,950)</b>	<b>3,167,428,999</b>	<b>2,985,855,805</b>	(181,573,193.53)	
Provision for Depreciation				97,568,887		
Non operating expenditure				178,844,271		
Amortisation				928,000		
Provision for bad debts				43,726,258		
				<b>3,306,923,221</b>		
<b>Surplus/(Deficit) for the year</b>				<b>291,817,706</b>		

- Negative impacts of Covid 19 on business activity affected PCK performance resulting in revenue deficits
- PCK adopted cost cutting measures which resulted in savings in administrative and operational expenses
- USA and European countries revised their rates within the year resulting in unanticipated overspending
- Under-absorption was caused by cashflow challenges

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**XVII. NOTES TO THE FINANCIAL STATEMENTS**

**1. General Information**

Postal Corporation of Kenya is established and derives its authority and accountability from PCK Act Number 3 of 1998. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity Postal services, Postal financial services and any other duty as may be assigned to it.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

**2. Statement of Compliance and Basis of Preparation**

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

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

**3. Application of New and Revised International Financial Reporting Standards (IFRS)**

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2022.*

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
IAS 39- Financial Instruments: Recognition and Measurement	IAS 39 "Financial Instruments: Recognition and Measurement" outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an entity becomes a party to the contractual provisions of the instrument	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

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	and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments.	
IFRS 4- Insurance Contracts (Superseded)	IFRS 4 "Insurance Contracts" applies, with limited exceptions, to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. In light of the IASB's comprehensive project on insurance contracts, the standard provides a temporary exemption from the requirements of some other IFRSs, including the requirement to consider IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" when selecting accounting policies for insurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 7- Financial Instrument Disclosures	IFRS 7 "Financial Instruments: Disclosures" requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 16- Leases	IFRS 16 specifies how to recognize, measure, present and disclose leases. The	The amendments are effective for annual periods beginning on or after

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	standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained.	January 1, 2020. Earlier application is permitted.
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*The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the PCK's financial statements.*

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**Application of New and Revised International Financial Reporting Standards (IFRS)**

- i. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which	Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

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Title	Description	Effective Date
	<p>recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.</p>	
IAS 16 — Property, Plant and Equipment	<p>IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.</p>	<p>The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.</p>

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Title	Description	Effective Date
IAS 37 — Provisions, Contingent Liabilities and Contingent Assets	IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IFRS 17 — Insurance Contracts	IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.	The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after January 1, 2022. [The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.]

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*The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.*

**ii. Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2021/2022

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**a). Revenue recognition**

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

- a. Revenue from the sale of goods and services** is recognised in the year in which the entity delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- b. Grants from National Government** are recognised in the year in which the Corporation actually receives such grants.
- c. Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- d. Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.
- e. Rental income** is recognised in the income statement as it accrues using the effective lease agreements.
- f. Other income** is recognised as it accrues.
- g. Box/Bag Rental income** is recognized on cash basis. This has consistently been observed since inception of the Corporation.

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**b. In-kind contributions**

In-kind contributions are donations that are made to the Corporation in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Corporation includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

**a. Property, plant and equipment**

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

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers. The last revaluation was done Wamae Mureithi & Associates on 30<sup>st</sup> June 2020.

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

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

**b. Depreciation and impairment of Property, Plant and Equipment**

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

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

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

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No depreciation is charged both in the year of asset purchase and in the year of asset disposal. Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

**c. Intangible assets**

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over four years.

**d. Amortisation and impairment of intangible assets**

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of four years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

**e. Investment property**

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by PCK, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

**f. Right of Use Asset**

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use

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asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

**g. Fixed interest investments (bonds)**

fixed interest investments refer to investment funds placed under central bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. fixed interest investments are freely traded at the Nairobi securities exchange. the bonds are measured at fair value through profit or loss.

**h. Quoted investments**

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.

**i. Unquoted investments**

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange.

**j. Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

**k. Trade and other receivables**

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

**l. Taxation**

**Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used

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to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

**Deferred Tax**

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**m. Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

**n. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**o. Borrowings**

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by considering any issue cost and any

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

**p. Trade and other payables**

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

**q. Retirement benefit obligations**

PCK operates a defined contribution scheme for all full-time employees from January 1, 2010. The scheme is administered by an independent body and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the Retirement benefit Authority and National Social Security Act. The company's total obligation under the DCS scheme and NSSF is currently at 12.5 % of employees' basic pay. The company contribution to National Social Security Fund (NSSF is currently at Kshs.200 per employee per month.

**r. Provision for staff leave pay**

Employees' entitlements to annual leave are recognized as they accrue at the employees. At provision is made for the estimated liability for annual leave at the reporting date.

	<u>2021/2022</u>	<u>2020/2021</u>
Balance at beginning of the year (Kshs).	99,628,487.85	9,616,590.30
Staff leave pay	638,871	
Additional provision at end of year (Kshs).	<u>230,244</u>	<u>11,898</u>
Balance at end of the year (Kshs).	<u><b>9,219,861.85</b></u>	<u><b>9,628,487.85</b></u>

Provision for annual leave pay is based on services rendered by full-time employees up to the end of the year.

**s. Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses are recognised in profit or loss.

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**Summary of Significant Accounting Policies**

**t. Budget information**

The original budget for FY 2021-2022 was approved by the National Treasury on 30<sup>th</sup> July 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

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**a) Service concession arrangements**

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**b) Comparative figures**

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

**c) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

**2. Significant Judgments and Sources of Estimation Uncertainty**

The preparation of the Entity's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

State all judgements, estimates and assumptions made: e.g.

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**a) Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

**b) Useful lives and residual values**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets

**c) Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 7(j)

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Local debts that are over one year and international debts over seven years are provided at 100%.

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<b>NOTE 2</b>	<b>2021/2022.</b>	<b>2020/2021.</b>
<b>Revenue Analysis</b>	<b>KShs</b>	<b>KShs</b>
<b>Postal Revenue</b>		
Sale of stamps	161,993,386	181,296,193
Parcels	322,470,519	309,746,541
Postage in bulk	243,297,065	197,718,897
Receipts from Foreign Administrations	120,852,462	146,420,451
EMS Service	563,727,426	436,963,446
Passports Delivery Services	113,097,815	50,077,512
Money order Commission	14,322,868	8,520,201
Box/ bag Rentals	729,136,352	812,523,178
EFT commission	1,534,130	1,593,810
Posta Despatch	17,214,277	8,016,647
Direct Mail Marketing	1,235,874	485,581
Post Liner Bus services	2,370,049	1,631,234
Posta Pesa Comm.	50,505	1,005,585
E-commerce Delivery Services	11,424,414	19,433,691
Miscellaneous	3,590,073	4,809,145
<b>TOTAL</b>	<b>2,306,317,214</b>	<b>2,180,242,113</b>
<b>Post shops</b>		
Posta shops	2,822,877	2,679,626
<b>Total</b>	<b>2,822,877</b>	<b>2,679,626</b>
<b>Total postage and Post shops</b>	<b>2,309,140,091</b>	<b>2,182,921,739</b>
<b>Rent Income</b>	200,840,341.78	188,908,631.33
<b>AGENCY SERVICES</b>		
(KPOSB) Post Office Savings Bank	-	1,046,339.00
Customs and Clearing Commissions	11,202,237.21	4,299,393.07
Mpesa and Airtel Commissions	7,797,572.80	6,465,483.11
Regional Agencies	6,987,550.60	11,249,260.90
<b>Total Agency Revenue</b>	<b>25,987,360.61</b>	<b>23,060,476.08</b>
<b>Total Operating Revenue</b>	<b>2,535,967,793</b>	<b>2,394,890,846</b>

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<b>NOTES</b>	<b>2021/2022.</b> <b><u>Kshs</u></b>	<b>2020/2021.</b> <b><u>Kshs</u></b>
<b>3 Finance income</b>		
Bank Interest	3,031,665	85,626
Staff loans interest	16,500	16,500
	<b><u>3,048,165</u></b>	<b><u>102,126</u></b>
<b>4 Other Revenue</b>	<b>2021/2022.</b> <b><u>Kshs</u></b>	<b>2020/2021.</b> <b><u>Kshs</u></b>
Decrease in Provision for General Bad Debts	1,058,794,099	
Sale of Stores	2,721,110	183,560
Total	<b><u>1,061,515,209</u></b>	<b><u>183,560</u></b>
<b>5 Non-Operating Revenue</b>	<b>2021/2022.</b> <b><u>Kshs</u></b>	<b>2020/2021.</b> <b><u>Kshs</u></b>
Gain on disposal of Motor Vehicle	(898,501)	50,000
Foreign exchange gain	(891,738)	14,288,257
Total	<b><u>(1,790,239)</u></b>	<b><u>14,338,257</u></b>
<b>6 Government Grant</b>	<b>2021/2022.</b> <b><u>Kshs</u></b>	<b>2020/2021.</b> <b><u>Kshs</u></b>
Government Grant	-	810,000,000
	<b><u>-</u></b>	<b><u>810,000,000</u></b>

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**7. Administration Expense**

	<b>2021/2022.</b>	<b>2020/2021.</b>
	<u>Kshs</u>	<u>Kshs</u>
Staff costs <b>7.a</b>	1,776,452,372	1,808,147,814
Consultancy Charges	4,070,557	5,436,816
Bank Charges	5,830,754	7,064,921
Office Administration	17,693,382	17,421,668
Corporate Social Responsibility	427,440	467,884
Insurance	11,664,780	12,522,107
Security Charges	66,975,712	65,988,140
Miscellaneous expense	145,762	118,307
Directors expense	13,693,275	9,444,359
<b>Total</b>	<b><u>1,896,954,033</u></b>	<b><u>1,926,612,015</u></b>

	<b>2021/2022.</b>	<b>2020/2021.</b>
<b>7. a Staff costs</b>	<b>KShs</b>	<b>KShs</b>
Salaries and Allowances	1,168,221,979	1,173,170,342
House Allowance	392,239,565	386,101,266
Leave allowance	29,308,011	29,739,828
Medical	93,058,772	77,753,037
Pension expense	93,624,046	141,322,793
Staff award	0	60,548
	<b><u>1,776,452,372</u></b>	<b><u>1,808,147,814</u></b>

The average number of employees at the end of the year was:

Permanent- Management staff	442	432
Permanent Unionisable staff	1,590	1,829
Contract and temporary staff	407	234
	<b><u>2,439</u></b>	<b><u>2,495</u></b>

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<b>8. Operations Expense</b>	<b>Note</b>	<b>2021/2022.</b>	<b>2020/2021.</b>
		<b>KShs</b>	<b>KShs</b>
Operation Expense	8(a)	315,879,027	261,058,898
Conveyance of mail	8(b)	169,604,982	128,699,861
International Services Expense	8(c)	106,462,348	136,110,094
Rental Expense	8(d)	234,229,321	250,712,407
Maintenance	8(e)	94,077,463	89,084,607
Training Expense	8(f)	12,018,380	13,351,293
Telephone and Data Communication	8(g)	39,163,654	40,554,248
Other Expenses	8(h)	117,466,598	101,909,039
Provision for bad debts	8(i)	43,726,258	41,888,390
Provision for depreciation	9.a	97,568,887	96,327,239
Provision for amortisation	9.b	928,000	928,000
		<b><u>1,231,124,917</u></b>	<b><u>1,160,624,076</u></b>

<b>8(a). Operation Expense</b>	<b>2021/2022.</b>	<b>2020/2021.</b>
	<b>Kshs</b>	<b>Kshs</b>
Postal Agencies	1,297,996	1,707,578
General Stores	41,011,732	30,404,560
Supply of Stamps	0	151,500
Vehicles Running Expenses	124,145,433	119,641,497
Compensation	1,244,886	881,808
Operating License	34,038,522	26,990,623
Transport hire, clearing and Freight charges	38,793,668	19,221,584
Travel subsistence allowances	75,346,789	62,059,748
<b>Total</b>	<b><u>315,879,027</u></b>	<b><u>261,058,898</u></b>

<b>8(b). Conveyance of mail</b>	<b>2021/2022.</b>	<b>2020/2021.</b>
	<b>Kshs</b>	<b>Kshs</b>
Road, Rail and Sea	7,968,211	8,551,782
Air International mail	16,105,417	43,590,450
Air International parcels	<u>145,531,355</u>	<u>76,557,629</u>
<b>TOTAL</b>	<b><u>169,604,982</u></b>	<b><u>128,699,861</u></b>

<b>8(c). International Services Expense</b>	<b>2021/2022.</b>	<b>2020/2021.</b>
	<b>Kshs</b>	<b>Kshs</b>
International Parcel Services -	72,237,033	68,784,172
International Mail Services -	<u>34,225,315</u>	<u>67,325,922</u>
<b>Total</b>	<b><u>106,462,348</u></b>	<b><u>136,110,094</u></b>

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<b>8(d). Rental Expense</b>	<b>2021/2022.</b>	<b>2020/2021.</b>
	<b>KShs</b>	<b>KShs</b>
Office Rentals	234,229,321	250,712,407
<b>Total</b>	<b>234,229,321</b>	<b>250,712,407</b>
<b>8(e). Maintenance</b>	<b>2021/2022.</b>	<b>2020/2021.</b>
	<b>KShs</b>	<b>KShs</b>
Equipment leasing	48,929,437	53,779,568
ICT maintenance and licences	17,205,111	12,266,926
Office Equipment Repairs	11,086,527	6,020,325
Building Maintenance	16,856,388	17,017,788
<b>Total</b>	<b>94,077,463</b>	<b>89,084,607</b>
<b>8(f). Training Expense</b>	<b>2021/2022.</b>	<b>2020/2021.</b>
	<b>KShs</b>	<b>KShs</b>
DIT	1,495,950	1,782,277
Training	10,522,430	11,569,016
<b>Total</b>	<b>12,018,380</b>	<b>13,351,293</b>
<b>8(g). Telephone and Data Communication</b>	<b>2021/2022.</b>	<b>2020/2021.</b>
	<b>KShs</b>	<b>KShs</b>
Telephone lines	10,689,175	10,386,055
Mobile lines	2,035,194	2,184,502
Data communication	26,439,286	27,983,692
<b>Total</b>	<b>39,163,654</b>	<b>40,554,248</b>

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<b>8(h). Other Expenses</b>	<b>2021/2022.</b>	<b>2020/2021.</b>
	<b>KShs</b>	<b>KShs</b>
Furniture and Fittings (Repairs)	173,420	261,150
Electricity/Water	31,371,541	32,183,427
PCK Sporting Activities	4,842,370	3,392,621
Legal Expenses	20,367,450	8,401,014
Health, Safety Environment (HSE)	16,366,027	16,434,066
Shows and Exhibitions	4,530,342	3,012,232
Electronic Media Adverts	2,974,680	9,813,247
Print Media Adverts	16,707,534	12,146,395
Outdoor advertisement	16,063,185	12,028,877
Entertainment	361,586	447,650
Audit fees	3,484,640	3,484,640
Tax on fridge benefits	223,822	303,720
<b>Total</b>	<b>117,466,598</b>	<b>101,909,039</b>

**8(i). Provision for bad debts**

The Corporation has increased the provision for bad debts by Kshs.43 million to cover long outstanding EMS and other debtors that have been outstanding for more than over one year.

	<b>2021/2022.</b>	<b>2020/2021.</b>
	<b>KShs</b>	<b>KShs</b>
Opening provision	2,516,380,737	2,474,492,347
Provision for bad debts	43,726,258	41,888,390
Decrease in Provision	(1,058,794,099)	-
<b>TOTAL provision</b>	<b>1,501,312,896</b>	<b>2,516,380,737</b>

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<b>9. Non Operating Expenditure</b>	<b>2021/2022.</b>	<b>2020/2021.</b>
	<b>KShs</b>	<b>KShs</b>
Interest on unpaid sacco dues	12,000,000	10,250,000
Interest on NCBA Loan	22,339,357	19,061,498
Interest on unpaid pensions	<u>144,504,914</u>	<u>138,489,387</u>
	<b><u>178,844,271</u></b>	<b><u>167,800,885</u></b>

10. a. Property, Plant and Equipment

	LAND	BUILDINGS	VEHICLES	OFFICE EQUIP.	COMPUTERS	W. I. P	TOTAL
<b>COST AS AT 01/07/2020</b>	9,036,850,000	2,313,350,000	141,230,000	191,095,400	50,704,400	-	11,733,229,800
Additions	-	1,448,792	-	12,103,720	4,311,502	-	17,864,014
Disposals	-	-	(750,000)	-	-	-	(750,000)
Adjustments	-	-	-	398,000	(1,341,000)	-	(1,341,000)
<b>AS AT 30/06/21</b>	9,036,850,000	2,314,798,792	140,480,000	203,597,120	54,077,102	-	11,749,803,014
<b>DEPRECIATION</b>							
<b>BAL B/FWD 01/07/2020</b>	-	-	-	-	-	-	-
Charge for the year	-	46,267,000.0	20,957,778.0	19,149,340.0	9,953,120.0	-	96,327,238
Disposals	-	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-	-
<b>AS AT 30/06/2021</b>	-	46,267,000	20,957,778	19,149,340	9,953,120	-	96,327,238
<b>AS AT 30/06/2021</b>	9,036,850,000	2,268,531,792	119,522,222	184,447,780	44,123,982	-	11,653,475,776
<b>BALANCE AS AT 30 JUNE 2021</b>	9,036,850,000	2,268,531,792	119,522,222	184,447,780	44,123,982	-	11,653,475,776
<b>COST/VALUATION AS AT 01/07/2021</b>	9,036,850,000	2,268,531,792	119,522,222	184,447,780	44,123,982	-	11,653,475,776
Additions	-	3,113,067	16,449,517	6,454,502	58,037,379	-	84,054,465
Disposals	-	-	(5,160,000)	-	-	-	(5,160,000)
Adjustments	-	-	-	-	-	-	-
<b>AS AT 30/06/2022</b>	9,036,850,000	2,271,644,859	130,811,739	190,902,282	102,161,361	-	11,732,370,241
<b>DEPRECIATION</b>							
<b>BAL B/F 01/07/2021</b>	-	46,267,000	20,957,778	19,149,340	9,953,120	-	96,327,238
Charge for the year	-	46,295,976	20,097,778	20,359,712	10,815,420	-	97,568,886
Disposals	-	-	(860,000)	-	-	-	(860,000)
<b>TOTAL DEPRECIATION AS AT 30.06.2022</b>	-	92,562,976	40,195,556	39,509,052	20,768,540	-	193,036,124
<b>NET BOOK VALUE AS AT 30.06.2022</b>	9,036,850,000	2,225,348,883	111,573,961	170,542,570	91,345,941	-	11,635,661,355

10 b. Intangible asset

	SOFTWARES	WORK IN PROGR	WORK IN PROGRESS	WORK IN PROGRESS	COMPUTERS	W. I. P	TOTAL
<b>01.07.2021</b>	1,856,000	255,749,829	55,104,644	2,700,000	315,410,473	-	1,341,630,946
COMPUTER SOFTWARES							
Amortization	928,000	-	-	-	928,000	-	928,000
<b>BAL CFWD 30.06.2022</b>	928,000	255,749,829	55,104,644	2,700,000	314,482,473	-	1,341,630,946

The amount of Kshs.313,554,473 intangible asset refers to software projects that are on going thus work in progress and will be amortized once complete.

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<b>Current Assets</b>	<b>2021/2022</b>	<b>2020/2021</b>
	<u><b>Kshs</b></u>	<u><b>Kshs</b></u>
<b>Note 11</b>		
<b>Trade and Other Receivables</b>		
<b>Service Debtors</b>		
Foreign Administration	970,594,992	899,487,405
E M S	629,442,313	464,510,011
Bulky Postage	193,922,293	173,600,759
Money Orders Inter-state	57,972,702	57,972,702
Postapay	177,695,268	177,695,268
Rent Receivable	197,654,102	149,850,838
Rent Deposits	434,889	434,889
<b>Total service Debtors</b>	<b><u>2,227,716,558</u></b>	<b><u>1,923,551,871</u></b>
<b>Agency:</b>		
Kenya post office Savings Bank	367,539,998	1,423,915,405
Telkom Kenya Ltd	16,657,249	5,282,544
Telposta Pension Scheme	17,585,070	17,585,070
Other Agency Debtors	54,698,231	48,320,725
<b>Total Agency debtors</b>	<b><u>456,480,548</u></b>	<b><u>1,495,103,743</u></b>
<b>Other Debtors</b>		
Tax recoverable	-	141,335,189
Staff Advances	52,340,039	64,644,790
Other Deposits(court attachments)	8,630,513	33,806,056
Hospitals Deposits	1,400,000	1,400,000
Net Other Debtors	<b><u>62,370,552</u></b>	<b><u>241,186,035</u></b>
<b>Total Debtors</b>	<b><u>2,746,567,657</u></b>	<b><u>3,659,841,649</u></b>
Provision for Bad debts	<b><u>(1,501,312,896)</u></b>	<b><u>(2,516,380,737)</u></b>
<b>Total Net Debtors</b>	<b><u>1,245,254,761</u></b>	<b><u>1,143,460,912</u></b>

**Note 12**

**Cash and Bank Balance**

Cash on Hand	32,970,872	48,618,826
Bank Balances	292,801,355	270,506,103
Cash in transit	602,365	1,160,216
E-Value	35,029,491	14,742,504
<b>Total</b>	<b><u>361,404,083</u></b>	<b><u>335,027,648</u></b>

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<b>Note 13. Trade and other Payables</b>	<b>2021/2022</b>	<b>2020/2021</b>
	<b><u>Kshs</u></b>	<b><u>Kshs</u></b>
<b>Service Creditors</b>		
Foreign Administration	735,894,958	624,698,324
Money Orders/IFS	103,901,577	97,835,478
Postapay(Revenue Share and Network fe	92,544,072	92,544,072
New Posta pay EFT	1,204,471,802	1,216,933,882
Postal Orders	4,422,640	4,422,640
Key Letter Box Deposits	212,896,765	207,127,600
Rental Deposits	27,355,151	24,793,766
Conveyance of Mail	389,175,075	284,221,448
	<b><u>2,770,662,040</u></b>	<b><u>2,552,577,211</u></b>
<b>Agencies</b>		
Agency accounts	755,543,488	747,617,203
Kenya Post Office Savings Bank	602,447,551	1,661,241,650
	<b><u>1,357,991,039</u></b>	<b><u>2,408,858,853</u></b>
<b>Other Creditors</b>		
Statutory	724,205,005	523,055,660
Excise duty	828,164	1,069,143
Pensions and Gratuties	1,777,397,774	1,545,167,005
Provision for staff leave	9,219,861	9,628,488
Institutions Insurances	8,948,667	5,880,642
Cooperatives	98,798,133	94,308,800
Bank Staff Loans	309,846,967	259,498,259
Administration	129,029,021	87,969,169
Operations	631,021,724	443,134,295
Rentals	145,159,787	120,281,271
Training	6,880,717	5,435,455
Deferred Projects	96,819,339	96,819,339
<b>Suppliers:</b>		
Other creditors	76,951,290	53,563,881
Miscellaneous	211,139,924.33	159,435,516
<b>Total others</b>	<b><u>4,226,246,373</u></b>	<b><u>3,405,246,922</u></b>
<b>Total Current Payables</b>	<b><u>8,354,899,453</u></b>	<b><u>8,366,682,986</u></b>

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<b>14. General reserve</b>	<b>2021/2022</b> <b><u>Kshs</u></b>	<b>2020/2021</b> <b><u>Kshs</u></b>
<b>As at 1 July (Restated)</b>	(6,437,441,894)	(6,401,919,707)
Revaluation adjustments	-	-
Net profit / Deficit for the year	291,817,706	(35,522,187)
<b>As at 30 June</b>	<b><u>(6,145,624,188)</u></b>	<b><u>(6,437,441,894)</u></b>
<b>15. Revaluation reserve</b>	<b>2021/2022</b> <b><u>Kshs</u></b>	<b>2020/2021</b> <b><u>Kshs</u></b>
<b>As at 1st July</b>	11,318,554,398	11,319,095,198
Revaluation Adjustment	-	(1,341,000)
Revaluation Gain	-	800,200
<b>As at 30th June</b>	<b><u>11,318,554,398</u></b>	<b><u>11,318,554,398</u></b>

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**16. Loan Balance**

	<b>2021/2022</b>	<b>2020/2021</b>
Opening bank loan balance	199,579,321.17	19,616,829.00
Addition		200,000,000.00
Repayment	<u>(29,271,123.30)</u>	<u>(20,037,507.83)</u>
closing balance	<u><b>170,308,197.87</b></u>	<u><b>199,579,321.17</b></u>

**17. Pension fund**

The Corporation operates a defined contribution pension scheme managed by a Board of trustee appointed by both the employer and the employees. Interest of Kshs.144 million has been accrued for unpaid pensions.

**18. Huduma kenya**

The Corporation hosted Huduma Kenya in its premises as agreed in the memorandum of understanding of 17th October,2013 which was to run for five (5) year. PCK is in negotiation with Huduma Kenya for payment of various costs incurred by them through their occupancy in PCK premises.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued).**

**19. IAS 24 Related party disclosure**

The objective of this standard is to ensure that PCK financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit and loss may have been affected by the existence of related parties.

Related parties of the Corporation include the Ministry of ICT and Digital Economy, the Board of Directors and key Management personnel. Transactions and benefits made to related parties during the year are as summarized below:

**Transactions with related parties**

	2021-2022	2020-2021
	Kshs	Kshs
<b>a) Sales to related parties</b>		
Rent Income from MOICT	9,817,567.20	9,414,789.14
EMS and agency fees from MOICT	815,892.99	622,587.23
Box rentals revenue from MOICT	75,600.00	75,600
<b>Total</b>	<b>10,709,060.19</b>	<b>10,112,976.37</b>
<b>b) Purchases from related parties</b>		
Purchases from related parties		
Other expense -		
<b>Total</b>		
<b>b) Grants from the Government</b>		
Grants from National Govt		810,000,000
<b>Total</b>		
<b>c) Expenses incurred on behalf of related party</b>	<b>nil</b>	<b>nil</b>

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	2021-2022	2020-2021
	Kshs	Kshs
<b>d) Key management compensation</b>		
Directors' emoluments	13,693,275	9,444,359
Compensation to key management	52,865,401	49,360,350
<b>Total</b>	<b>66,558,676</b>	<b>58,804,709</b>

**20. CAPITAL COMMITMENTS**

Capital commitments at the year- end for which no provision has been made in these financial statements are:

	2021-2022	2020-2021
	Kshs	Kshs
Amounts authorised and contracted for		
Amounts authorizes but not contracted for		
Less: Amounts included in Work in progress		
	NIL	NIL
	=====	

**21. CONTINGENT LIABILITIES**

There were no major cases that may give rise to contingent liabilities during the year.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**22. FINANCIAL RISK MANAGEMENT**

PCK's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The company's financial risk management objectives and policies are detailed below:

**(i) Credit risk**

PCK has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing PCK's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FINANCIAL RISK MANAGEMENT (Continued)**

**(i) Credit risk (Continued)**

	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due Kshs</b>
<b>At 30 June 2022</b>			
Receivables from exchange transactions	970,594,992	440,115,963	530,479,029
Receivables from non-exchange transactions	1,775,972,665	604,967,584	1,171,005,081
Bank balances	361,404,083	361,404,083	0
<b>Total</b>	<b>3,107,971,740</b>	<b>1,406,487,630</b>	<b>1,701,484,110</b>
<b>At 30 June 2021</b>			
Receivables from exchange transactions	899,487,405	440,115,963	459,371,442
Receivables from non-exchange transactions	2,760,354,244	606,090,229	2,154,264,015
Bank balances	335,027,648	335,027,648	0
<b>Total</b>	<b>3,994,869,297</b>	<b>1,380,361,830</b>	<b>2,613,635,457</b>

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. PCK has significant concentration of credit risk on amounts due from Postbank.

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with PCK's directors, who have built an appropriate liquidity risk management framework for the management of PCK's short, medium and long-term funding and liquidity management requirements. PCK manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

**FINANCIAL RISK MANAGEMENT (Continued)**

**ii) Liquidity risk management (Continued)**

	<b>Total</b>
	<b>Kshs</b>
<b>At 30 June 2022</b>	
Trade payables	6,577,501,679
Current portion of borrowings	0
Provisions	0
Deferred income	0
Employee benefit obligation	1,777,397,774
<b>Total</b>	<b>8,354,899,453</b>
<b>At 30 June 2021</b>	
Trade payables	6,821,515,981
Current portion of borrowings	0
Provisions	0
Deferred income	0
Employee benefit obligation	1,545,167,005
<b>Total</b>	<b>8,366,682,986</b>

**(iii) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by PCK on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect PCK's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to PCK's exposure to market risks or the manner in which it manages and measures the risk.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**a) Foreign currency risk**

PCK has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 90 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of PCK's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	<b>Ksh</b>	<b>Other currencies</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>At 30 June 2022</b>			
Financial assets(investments, cash ,debtors)	970,594,992	0	970,594,992
Liabilities			
Trade and other payables	735,894,958	0	735,894,958
Borrowings	0	0	0
Net foreign currency asset/(liability)	<b>234,700,034</b>	<b>0</b>	<b>234,700,034</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Financial Risk Management (Continued)**

**(iii) Market risk (Continued)**

**Foreign currency sensitivity analysis**

The following table demonstrates the effect on the company's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	<b>Change in currency rate</b>	<b>Effect on Profit before tax</b>	<b>Effect on equity</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>2021-2022</b>			
Euro	4%	<b>39,220,790</b>	<b>39,220,790</b>
USD	4%		
<b>2020-2021</b>			
Euro	2%	<b>14,288,257</b>	<b>14,288,257</b>
USD	2%		

**b) Interest rate risk**

Interest rate risk is the risk that PCK's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
Financial Risk Management (Continued)**

**iv) Capital Risk Management**

The objective of PCK's capital risk management is to safeguard the Board's ability to continue as a going concern. PCK capital structure comprises of the following funds:

	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Revaluation reserve	11,318,554,398	11,318,554,398
Retained earnings	(6,286,959,377)	(6,437,441,894)
Capital reserve		
<b>Total funds</b>	<b>5,031,595,020</b>	<b>4,881,112,503</b>
Total borrowings	<b>170,308,198</b>	<b>199,579,321</b>
Less: cash and bank balances	<b>361,404,083</b>	<b>335,027,648</b>
Net debt/(excess cash and cash equivalents)	<b>4,840,499,135</b>	<b>4,745,664,176</b>
<b>Gearing</b>	<b>61%</b>	<b>62%</b>

**23. INCORPORATION**

The Postal Corporation is a statutory body established by an Act of Parliament, PCK Act Number 3 of 1998 as a public Postal licensee and is domiciled in Kenya.

**24. EVENTS AFTER THE REPORTING PERIOD**

There were no material adjusting and non- adjusting events after the reporting period.

**25. CURRENCY**

The financial statements are presented in Kenya Shillings (Kshs).

**APPENDIX I**  
**PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

<b>Referen ce No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
1.0	Plant, Property & Equipment	The management has written to CS Land and EACC	GM/Operations	In progress	2022/2023
2.0	Going Concern	Being addressed through improvement of revenue and cost cutting measures	Postmaster-General	Improving	2022/2023
3.0	Cash and bank balances	Outstanding issues Cleared	-	Resolved	-
4.0	Posta switch	Relevant departments are addressing issues in order to resolve	Head of ICT	In progress	2022/2023
5.0	Trade and Other Receivables	Reconciliation nearing completion	Corporation secretary , GM/ Finance	In progress Telkom resolved	Dec 2022
6.0	Trade and Other Payables	Reconciliation nearing completion	Corporation secretary ,GM Finance	In progress Telkom resolved	Dec 2022

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**APPENDIX II:**

**INTER-ENTITY TRANSFERS**

<b>ENTITY NAME:</b>				
<b>Break down of Transfers from the State Department of XXX</b>				
<b>FY 2021/22</b>				
		<b><u>Bank Statement Date</u></b>	<b><u>Amount (KShs)</u></b>	<b><u>Indicate the FY to which the amounts relate</u></b>
<b>a.</b>	<b>Recurrent Grants</b>			
		<b>Total</b>		
<b>b.</b>	<b>Development Grants</b>			
	nil			
<b>c.</b>	<b>Direct Payments</b>			
	nil			
<b>d.</b>	<b>Donor Receipts</b>			
	nil			