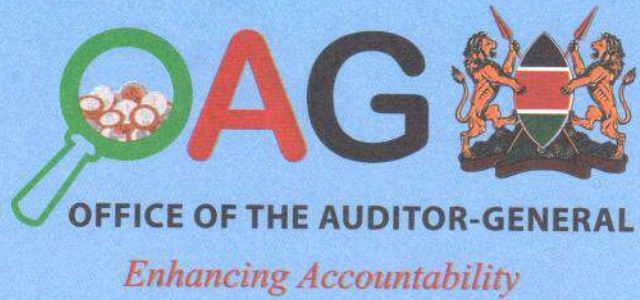


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

POSTAL CORPORATION OF KENYA

**FOR THE YEAR ENDED
30 JUNE, 2023**

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
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POSTAL CORPORATION OF KENYA

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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

Postal Corporation of Kenya
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I. ACRONYMS AND GLOSSARY OF TERMS

EMS	Expedited Mails Services
GOK	Government of Kenya
PCK	Postal Corporation of Kenya
PMG	Postmaster General
GDP	Gross Domestic Product
IEBC	Independent Electoral & Boundaries Commission
ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
IAS	International Accounting Standards
GAAP	Generally Accepted Accounting Practices

II. 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. John Tonui	- Postmaster General / Chief Executive Officer appointed on 13 th February 2023
Hon,Sen,Dr.Rose A. Nyamunga	- Chairperson- Appointed on 27 th April,2023
Mr. Tony Nabwera	-Appointed on 20 th June,2023
Mr. Fredrick O.Siengo	-Appointed on 23 rd May,2023
Mr. Kennedy Butiko	-Appointed on 18 th May,2023
Ms. Pauline C. Tuwei	- Appointed on 16 th June,2023

Principal Secretary; Ministry of Information Communication & Digital Economy-
State Department of Broadcasting and Telecommunications

Alternate Director: Mr.Hezrone M. Nyamberi

Principal Secretary The National Treasury

Alternate Director: Ms. Elizabeth Shungula

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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
Website: www.posta.co.ke

Corporate Bankers

1. Kenya Commercial Bank
Moi Avenue
P.O. Box 30081
GPO-00100
Nairobi, Kenya
2. NCBA Bank Kenya
Upperhill
P.O. Box 30437
GPO- 00100
Nairobi Kenya
3. ABSA Bank Kenya
Upperhill
P.O Box 30120
GPO -00100
Nairobi Kenya
4. Cooperative Bank
Co-operative House,
P.O. Box 48231 –
GPO-00100,
Nairobi Kenya

5. Equity Bank Kenya
Upperhill
P.O Box 75104
Citysquare-00200
Nairobi, Kenya

6. Standard Chartered Bank Kenya
Westlands
P.O Box 30003
GPO-00100
Nairobi, Kenya

7. Family Bank Ltd Kenya
Muindi Mbingu Street
P.O Box 74145
Citysquare-00200
Nairobi, Kenya

8. National Bank of Kenya
Harambee Avenue
P.O Box 72866
Citysquare
Nairobi, Kenya

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

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2. Robson Harris & Co. Advocates
6th Floor, Transnational Plaza,
City Hall Way,
P.O. Box 67845-00200,
City Square 00200
Nairobi, Kenya.

- 3 McKay Advocates
Mckay Chambers,
215 David Osiel Road off Rhapta Road
P.O. Box 29884-00100
GPO 00100
Nairobi, Kenya

3. Ogetto Otachi & Co. Advocates
Sifa Towers,
Ring Road Kilimani
P.O. Box 79438-00200
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.

5. Githiru & Company Advocates,
3rd Floor, Gibcon House,
Kenyatta Avenue,
P.O. Box 12989 - 20100
Nakuru, Kenya.

6. Brian Otieno & Co Advocates
Flamingo Towers 5th Floor
1 Mara Road Upperhill
020-2396500
Nairobi, Kenya.

7. Morara Apiemi & Nyangito Advocates
Electricity House 9th Floor
Harambee Avenue
P.O Box 6529 – 00100
Nairobi GPO-00100
Nairobi, Kenya.

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8. Miller & Co. Advocates
Hill Lane Towers.
Uhuru highway
P.O Box 55457-00200
City Square 00200
Nairobi, Kenya.

9. Simba & Simba Advocates
Finance House 6th Floor
Mara road Nairobi
P.O Box 45707-00100
GPO 00100
Nairobi, Kenya.

10. Lumumba & Lumumba Advocates.
4th Avenue Towers 15th Floor
Fourth Ngong avenue-Nairobi
P.O Box 7208-40100
Kisumu
Kisumu, Kenya.

11. Orende & Co. Advocates
Hazina Towers, 11th flr
Utalii Lane
P.O Box 105876-00101
Jamia 00101
Nairobi, Kenya.




III. THE BOARD OF DIRECTORS

Ref	Directors	DOB	Details
1	 <p>Hon,Sen,Dr.Rose A. Nyamunga CBS,PhD Chairperson of the Board, Postal Corporation of Kenya</p> <p>Independent Director</p>	20th December, 1959	<p>Hon. Sen. Dr. Rose Nyamunga, CBS, is an astute legislature and entrepreneur with over 30 years of experience in executive management both in the public and private sector. Before her appointment, Hon. Sen. Dr. Rose Nyamunga, CBS, served in the Senate of Kenya as a Nominated Senator (2017-2022) and in the 11th Parliament (2013-2017), Kenya National Assembly, as the Women Representative for Kisumu County.</p> <p>She holds a PhD, Doctorate of Humanity from the International University of Ministry and Education, in Missouri, USA and two Masters Degrees; MBA in Finance and an MBA in Strategic Management both from United States International University (USIU). Hon. Sen. Dr. Rose Nyamunga, CBS, has a Bachelor of Laws (LLB) from the University of Nairobi and a Bachelor of Science (BSc). Bachelor of Arts (BA), Accounting & Finance conferred to her by the United States International University (USIU). She is also a Certified Public Accountant, CPA (K).</p>
2	 <p>Mr. Tony Nabwera Independent Director</p> <p>Chairperson;BDI Committee Member;Audit Committee</p>	4th February, 1966	<p>Mr. Nabwera is a reputable Manager with over 20 years wealth of experience in the ICT, banking and finance industry. Prior to his appointment, he served in the Office of the Deputy President, Republic of Kenya as an advisor. He has also worked in various public and private organizations including; Joyful Women Organization as head of Information Technology; ENI Systems Africa (K) limited as the director business development; FASI Enterprise as the director and Branch Manager for Post Bank, Kenya among others.</p> <p>He holds a Bachelor of Business Management from Moi University and several professional certification and diplomas including IBM Infoshepere Guardium Technical Professional. Mr. Nabwera has also attended workshops and seminars both within and outside the country.</p>


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6	 <p>Ms. Pauline C. Tuwei Independent Director Chairperson; Human Resources Committee Member; Finance Committee</p>	21st July, 1982	<p>Ms. Pauline Chelimo Tuwei was appointed as a director of the Postal Corporation of Kenya Board by the Cabinet Secretary Ministry of Information Communications & the Digital Economy via gazette notice 7700 effective 16th June 2023, for a period of three years.</p> <p>She has an insightful personality with vast experience in Leadership and Managerial skills. Ms. Tuwei served as a Member of County Assembly for Uasin Gishu County from 2013 - 2017. She was also a lecturer in both Mount Kenya University and The Kenya Institute of Business & Technology respectively.</p> <p>Ms. Tuwei holds a Bachelor of Arts Degree in Social Work and Social Administration from the Bugema University, Kampala, Uganda. She is currently pursuing a Masters in Sociology-Community Development and Project Management at Egerton University.</p>
7	 <p>Ms. Elizabeth Shungula Alternate Director Member; Finance Committee & Audit Committee</p>	08 th November 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>Mr. John Tonui Postmaster General/CEO</p>	22nd December, 1968	<p>Mr. John Kipyegon Tonui was appointed the Postmaster General/ Chief Executive Officer of Postal Corporation of Kenya on 13th February 2023 by the Cabinet Secretary, Ministry of Information, Communications & the Digital Economy. Mr. Tonui joined Posta Kenya in March 1993 as a Management Trainee and he has risen through ranks in both defunct Kenya Posts and Telecommunication Corporation and Postal Corporation of Kenya over the last 30 years.</p> <p>He holds a MBA in Strategic and Human Resource Management and a Bachelors of Arts Degree in Humanities and Social Sciences both</p>





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<p>3</p>	 <p>Mr. Fred O. Siengo Independent Director Chairperson; Audit Committee Member; Human Resources Committee</p>	<p>15th March, 1976</p>	<p>Mr. Fredrick has over 20 years of experience in the Education Sector and has worked in various educational institutions in the wider Nyanza Region. He is also a vivid social and development consultant.</p> <p>He holds a Bachelor's of Education Degree from the Egerton University and a Diploma from Kamagambo Adventist Teachers College among others.</p>
<p>4</p>	 <p>Mr. Kennedy Butiko Independent Director Chairperson; Finance Committee Member; BDI Committee</p>	<p>17th November, 1969</p>	<p>Mr Kennedy Butiko is a seasoned Economist, Banker and a Financial consultant with over 20 years' experience. He has worked with various financial institutions including Bank of Africa, Ghana, and Credit Agricole Indosuez Bank of Nairobi among others. He currently serves as the lead technical consultant in development of the Bottom-up Economics Model, Vihiga County.</p> <p>Mr. Butiko is a member of The Institute of Certified Public Accountants of Kenya (ICPAK) and holds a Bachelor of Arts Degree in Economics and Business studies from Kenyatta University.</p>
<p>5</p>	 <p>Mr. Hezrone M. Nyamberi Alternate Director Member; Audit Committee Human Resources Committee</p>	<p>10th November, 1969</p>	<p>Mr. Hezrone Magoma Nyamberi is a seasoned Public Administrator with over 25 years of experience, having served in several stations countrywide and rising from Assistant Secretary, District Officer, District Commissioner to a Deputy County Commissioner in Laikipia, West Pokot and Nyandarua County. He holds a Master's and Bachelors of Arts degree in Humanities and Social Sciences both from the University of Nairobi.</p> <p>Mr. Nyamberi has a diploma in Public Administration from the Kenya School of Government (KSG) and has attended several Leadership and Management programs within and outside the country.</p>


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		<p>from The University of Nairobi. He is a dynamic and strategic thinker, a consultant in Human Resource Management and a member of both Institute of Human Resource Management (IHRM) and the Kenya Institute of Management (KIM).</p> <p>Mr. John Tonui is the current National Treasurer, Kenya Communications Sports Organization (KECOSO); National Trustee Staff Retirement Benefits Scheme Postal Corporation of Kenya; Patron/Chairman Posta Rangers Football Club; Patron Sotik Progressive Forum (SPF) and Leader for Empower to Empower programs among others</p>
9	 <p>Mr. Julius Opini Corporation Secretary</p>	<p>Mr. Julius Opini is the Corporation Secretary and General Manager Legal Services, Postal Corporation of Kenya. He was appointed as a Corporation Secretary after the requisite process in February 2017.</p> <p>Mr. Opini has a wealth of experience in the legal industry having worked for over 25 years in various Corporate Law firms in the Kenya. Prior to his appointment as the Corporation Secretary and General Manager, Legal Services, Mr. Opini was the Attorney for Kisii County Government for a period of three (3) years from 2014 to 2017.</p> <p>Mr. Opini holds a Masters of Law degree (LLM) from the University of Nairobi and Bachelor of Law and Bachelor of Arts. He also has a Postgraduate Diploma in law and registered as a Certified Public Secretary (CPS-K).</p>






IV. EXECUTIVE MANAGEMENT TEAM

Ref	Management	Details
	 <p>Mr. John Tonui MBA, Bachelor of Arts, Diploma in HRM</p>	CEO & Postmaster General
	 <p>Julius Opini Masters of Law, Bachelors of Law, Bachelors Arts (Economics) Postgraduate diploma in Law</p>	Corporation Secretary
	 <p>James Kahonge MSc in Business with IT, BCom Marketing</p>	GM/Business Development
	 <p>Nancy Mathenge MBA Human Resources, BBA Human Resources & Entrepreneurship, Diploma in Labour Studies & Management, Member IHRM</p>	GM/ Human Resource Development & Administration

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	<p>Muktar Abdullahi MBA Strategic Management & Leadership, BBA Marketing, CPA (K), CIQA, MNQI,</p>	<p>Ag. GM /Courier</p>
	<p>Milka Mugwe Masters In Public Admin, Bachelor of Public Admin & Communication</p>	<p>GM/ Mails</p>
	<p>Cyprian Birgen Bachelor Of Commerce-Marketing option</p>	<p>Ag.GM Operations & Customer services</p>
	<p>Joan Toroitich Bachelor of Education</p>	<p>GM/ Payments</p>

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

V. 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, 2023. The year under review remained challenging for businesses both locally and internationally as a result of post COVID-19 tightening of monetary policies in most regions, the strengthening of the US dollar against most currencies, resurgence of COVID-19 in China and the Russia-Ukraine war that led to supply chain disruptions. Sub-Saharan Africa economy grew by 3.9 per cent in 2022 compared to a growth of 4.8 per cent in 2021 on account of a decline in household consumption and private investment resulting from rising global inflation and tightened monetary policies.

Despite the macro-economic headwinds, we remained resilient boosting operating revenue as is evidenced by our total operating revenue growth which increased by 40% as will be highlighted in detail by the Post master general's statement. The Corporation through measures put in place to return it to profitability registered an improved performance compared to financial year 2021/2022 and was able to meet its mandate to Kenyans.

Operating Environment

Real Gross Domestic Product (GDP) expanded by 4.8 per cent in 2022 compared to a revised growth of 7.6 per cent in 2021. The growth was spread across all sectors of the economy but was more pronounced in service-oriented activities. Agriculture, Forestry and Fishing sector was sector contracted by 1.6 per cent in 2022 compared to a contraction of 0.4 per cent in 2021. This was attributed to drought conditions that characterized the period under review. Some of the key sectors that supported growth were Financial and Insurance (12.8%), Information and Communication (9.9%), and Transportation and Storage (5.6%). Nominal GDP increased from KSh 12,027.7 billion in 2021 to KSh 13,368.3 billion in 2022. Despite slowing down markedly in 2022 in volume terms, agriculture remained the dominant sector, accounting for about 21.2 per cent of the overall GDP in 2022. Industry-related activities accounted for 17.7 per cent, while service activities accounted for 61.1 per cent of the total GDP in 2022. Private final consumption expenditure increased from KSh 8,970.8 billion in 2021 to KSh 10,107.2 billion in 2022, and accounted for slightly over three quarters of gross domestic expenditure. Similarly, government final consumption expenditure increased by 12.3 per cent to stand at KSh 1,640.5 billion in 2022. Gross National Income (GNI) rose from KSh 11,823.5 billion in 2021 to KSh 13,163.2 billion in 2022. Gross National Disposable Income (GNDI) increased by 11.5 per cent

V. CHAIRMAN'S STATEMENTContinued

to stand at KSh 13,932.0 billion in 2022. Gross domestic product per capita at current prices increased from KSh 237,861 in 2021 to KSh 260,024 in 2022. *Kenya Economic Review 2022*

Performance

In the financial year 2022/2023, the Corporation recorded a net surplus of Kshs.50 million compared to a surplus of Kshs. 291.8 million in the previous period which is a decline in financial performance. This was attributed to an increase in operational costs arising from soaring fuel prices and hiring of motor vehicles for IEBC business. 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.



Hon,Sen,Dr.Rose A. Nyamunga

Chairperson

28th September,2023

VI. REPORT OF THE POSTMASTER GENERAL

On behalf of the Management and Staff of Postal Corporation of Kenya, it is a great honor to present to you highlights of the Corporation's performance for the year ended 30th June 2023. Throughout the period under review, we remained focused on our mandate to provide postal services and financial services. This was against the backdrop of a very difficult economic environment characterized by high inflation, weakening local currency with dollar scarcity and steeply rising local and global interest rates.

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

Financial Performance

The Corporation posted a net profit of Kshs 50 million for the financial year ended 30th June 2023 compared to a net profit of Kshs 291 million achieved in the Financial Year 2021/2022.

Operational Revenue

Operating revenue increased to Kshs 3,506 billion in the year under review from Kshs 2,535 billion recorded in FY 2021/2022 being a 38% increase.

Operating Expenditure

Whereas the Corporation operated within the budgeted expenditure during the year, total operating expenditure increased by 9% to Kshs 3,607 billion compared to the previous year's Kshs 3,306 billion. The increase in the operating expenditure is as a result of IEBC logistics expenses and rising fuel prices. 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.



John K. Tonui

Postmaster General

28th September 2023

VII. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/2023

PCK has 4 themes/ objectives within the current Strategic Plan for the FY 2022/2025. 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 2022/2025 period for its four strategic pillars, as indicated in the diagram below:

Strategic Objectives	Initiatives/Projects	Year 1	Target FY 2022-23	Year2	Year 3
Objective 1: To adopt profit centre business models and institutionalizes Enterprise Risk Management Framework	Develop and negotiate allocation criteria of common costs Determine the significant cost drivers of these common costs Restructure all functions to be profit centres. Isolate direct costs to each business and allocate the common shared costs	Capture and account revenue to the four main business units Redefine the shared costs (cost pool) in the whole Corporation	P&L accounts for 4 Business Units and 10 Regional Headquarters Finance/BD/ICT, IA&RM &All	Review model effectiveness and efficiency	Appraise the effectiveness of the model

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<p>Objective 2; To deliver exceptional customer care and issue resolutions to achieve 95% satisfaction index Improve customer satisfaction from 67% to achieve 95% Achieving same day acknowledgement of inquiries and resolution within 24 hours Improve internal structures for SMS availability notification at 100% Implementation of CRM to support customer management</p>	<p>Develop and Implement a monthly retention Program through CRM, strategic incentives, reward loyalty for top billers quarterly 90% feedback within 24 hrs Avail SMS notification to customers at 100% Collect user requirements from all business user departments by Q2. Benchmark with three industry leaders. Design and development in Q4.</p>	<p>Achieving same day Acknowledgement of inquiries and resolution within 24 hours EFT, Boxes, E-Commerce User requirement and stop gap measures</p>	<p>Report on retention at 77% 95% feedback within 24 hrs Avail SMS notification to customers at 100% Development and testing of the CRM in Q1 and Q2. Roll out of CRM prototype in Q3.</p>	<p>Achieve 87% customers engagement level Achieving same day Acknowledgement of inquiries and resolution within 24 hours Letter post (Registered and ordinary) CRM prototype</p>	<p>Achieve 95% customers engagement level OPS & CS All products Rolled out to all outlets</p>
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<p>Objective 3 Improve on internal processes to achieve 95% business efficiency. To increase Mails & Courier value and convenience through process automation. Generate SMS notifications to customers for their shipments at acceptance and delivery points. Deliver by next day at 11am and ensure 100% system update for customer satisfaction. Implementation of TMEA customs</p>	<p>Monitor Mails and Courier business trend through the integrated system and evaluate efficiency levels achieved. Generate SMS notifications to customers for their shipments at acceptance and delivery points Deliver by next day at 11am and ensure 100% system update for customer satisfaction. Implement an end-to-end revenue tracking and visibility of system for optimal performance</p>	<p>Improve an end to end tracking system to achieve 100% visibility of PCK Processes, Volumes and Revenue Generate SMS notifications to customers for their shipments at acceptance and delivery points. Deliver by next day at 11am and ensure 100% system update for customer satisfaction. Implementation of TMEA</p>	<p>Upgrade track and trace system in Q1 Courier ICT, Finance, Operations Achieve 48 hours PG&AX seamless integrated</p>	<p>Improve on the billing, invoicing and debt collection Implementation of TMEA Roll out and implementation of the automated invoice portal</p>	<p>Improve on the billing, invoicing and debt collection Implementation of the automated invoice</p>
<p>Objective 4: To Enhance Human Resources Capacity and positively transform and institutionalize Corporate Culture Align Human Resource instruments to attain a harmonious people management strategy</p>	<p>(Scheme of service/ Career Guidelines, Grading structure/ Staff Deploy rationalized structure through job enlargements /enrichment Introduce Multi-tasking in sections/functions Engage 40 staff on MG: 4 and above on contract basis Design and implement succession plan for business continuity</p>	<p>Introduce Multi-tasking in sections/functions Introduce Multi-tasking in sections/functions Profile 307 staffs are expected to exit in the next 4 years Engage freelance sales officers as per business needs and pay commission on sale</p>	<p>Introduce Multi-tasking in sections/functions. Onboard LPOs and redeploy staff to busy outlets Appoint 93 skills for succession in commercial and operation Outsource/Recruit staff to bridge skill gap in relevant function</p>	<p>HR/All Refine training requirements and career paths for employees to acquire skills necessary to deliver great customer Design and deploy training program targeting 2,359 workforces Train 300 on Postal Officers' new entrants' course</p>	

VIII. 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.

VII. 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 the Digital Economy 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 2022/2023, 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.

VII. 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 and the Digital Economy.

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.

VII. 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.

VII. 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 2023

	2022/2023	2021/2022
Main / Special Board	9	8
Audit and risk management	2	4
Human Resource	6	6
Finance	6	7
Business development, and Innovation	3	5

Board of Directors Remuneration

In the financial year 2022/2023, the Corporation's Board of Directors' expenses amounted to Kshs. 17,167,978

IX. 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

Real Gross Domestic Product (GDP) expanded by 4.8 per cent in 2022 compared to a revised growth of 7.6 per cent in 2021. The growth was spread across all sectors of the economy but was more pronounced in service-oriented activities. Agriculture, Forestry and Fishing sector was sector contracted by 1.6 per cent in 2022 compared to a contraction of 0.4 per cent in 2021.

- Kenyan economic survey 2022

- The overall financial performance of year 2022/2023 is a net profit of Kshs 50 million before tax.

Table 1- Financial performance Trend in Kshs millions

Particulars	2022/2023	2021/2022	2020/2021	2019/2020
Revenue	3,657	3598	3,219	2,278
Expenditure	3,607	3,306	3,255	3,521
Net deficit / before tax	50	291	-35	-1,243
Net deficit/ after tax	50	291	-35	-1,243

MANAGEMENT DISCUSSION AND ANALYSIS....continued

4. Financial Performance

(a) Revenue

In the year under review, the Corporation recorded a net profit of Kshs.50 million, this was attributed to IEBC logistics business and grants. In addition, the overall operating revenue registered an increase of Kshs 970 million in the year 2022/2023 compared to 2021/2022. The improvement was attributed to increased business due to implementation of initiatives that enhanced operational efficiency.

Significant Increases were noted in:-

- Ems services Kshs. 1.14 Billion
- Box/bag rentals Kshs.19 million
- Posta despatch Kshs.9.6 million
- Mpesa Airtel services Kshs.0.4 million

Notable decreases were in: -

- Receipts from international services Kshs.46 million
- Sale of Postage stamps Kshs.20 million
- Parcels Kshs.92 million
- Postage in Bulk Kshs.17 million
- E-commerce Kshs.4 million
- Money order Commission Kshs.6.7 million
- Passport Delivery Kshs.12.8 million
- Regional agency services commission Kshs. 1.3 million
- Customs and Clearing Commission Kshs.3.3 million

MANAGEMENT DISCUSSION AND ANALYSIS....continued

Three Years Revenue Comparatives 2020/2021-2022/2023 in Billions

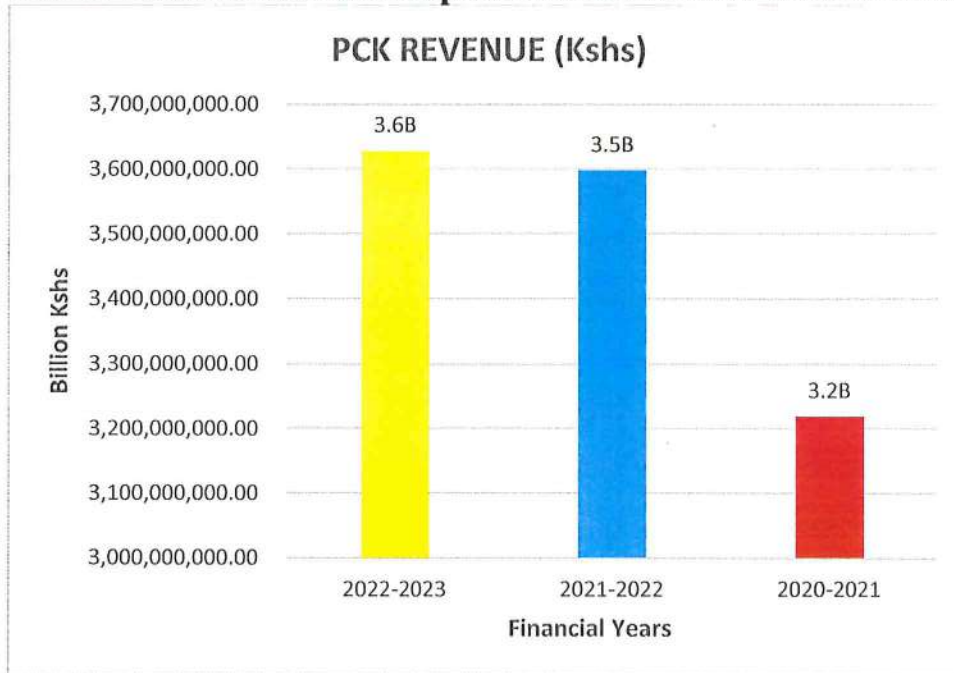


Table 2: Three Years Revenue Comparatives 2020/2021-2022/2023

PERIOD	2022-2023	2021-2022	2020-2021
REVENUE (Kshs)	3,657,882,033.80	3,598,740,928.00	3,219,514,789.00

MANAGEMENT DISCUSSION AND ANALYSIS....continued

Revenue Streams Performance Trend from 2020/2021 to 2022/2023

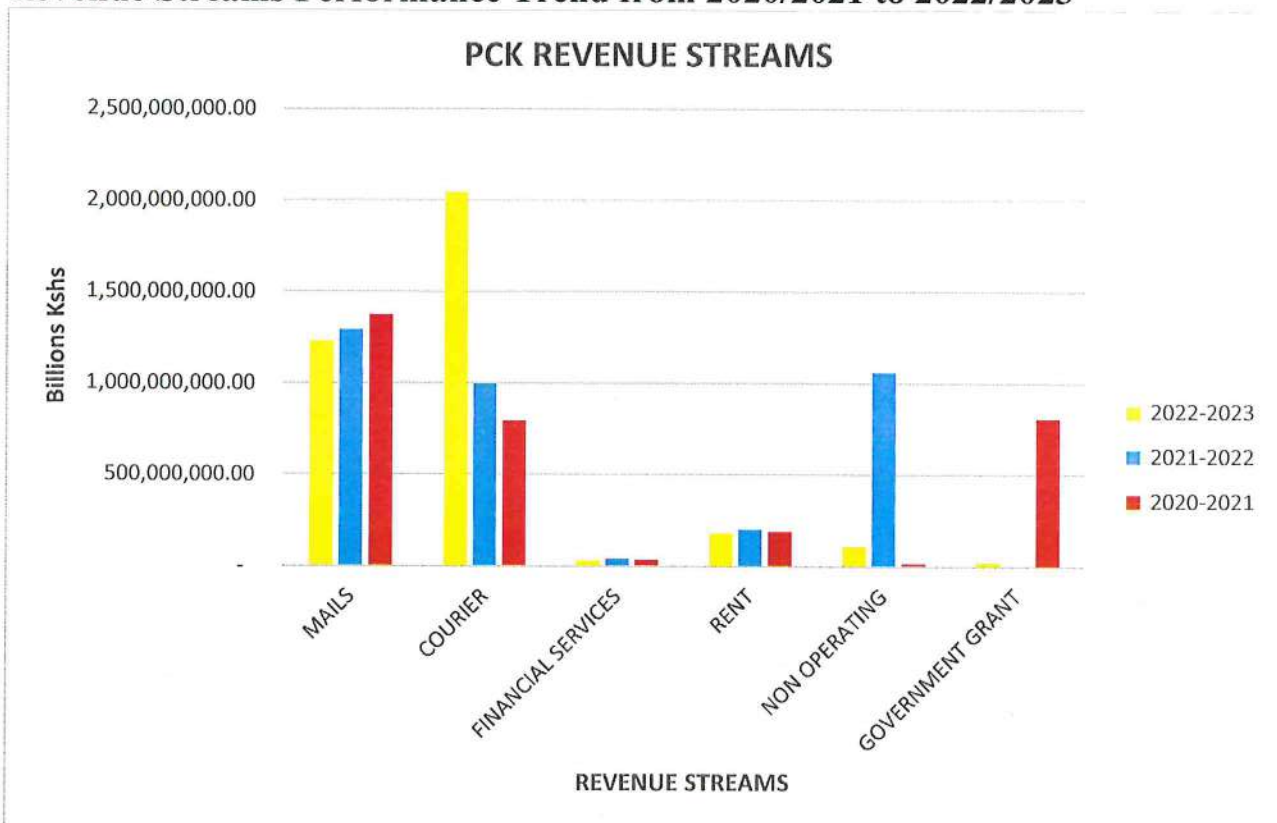


TABLE 3: Revenue Streams Performance Trend from 2020/2021 to 2022/2023

PCK REVENUE STREAMS			
FINANCIAL YEAR	2022-2023	2021-2022	2020-2021
MAILS	1,233,775,232.26	1,293,936,828.40	1,375,014,643.49
COURIER	2,041,336,530.48	999,295,759.39	796,787,499.15
FINANCIAL SERVICES	29,858,587.08	41,894,863.61	34,180,072.36
RENT	201,550,064.43	200,840,341.78	188,908,631.33
NON OPERATING	112,080,319.47	1,062,773,134.47	14,623,943.13
GRANTS & DONATIONS	39,281,300.08	-	810,000,000.00
TOTAL	3,657,882,033.80	3,598,740,927.65	3,219,514,789.46

MANAGEMENT DISCUSSION AND ANALYSIS....continued

REVENUE PERFORMANCE PER STREAM

FINANCIAL YEAR 2022/2023 REVENUE ANALYSIS

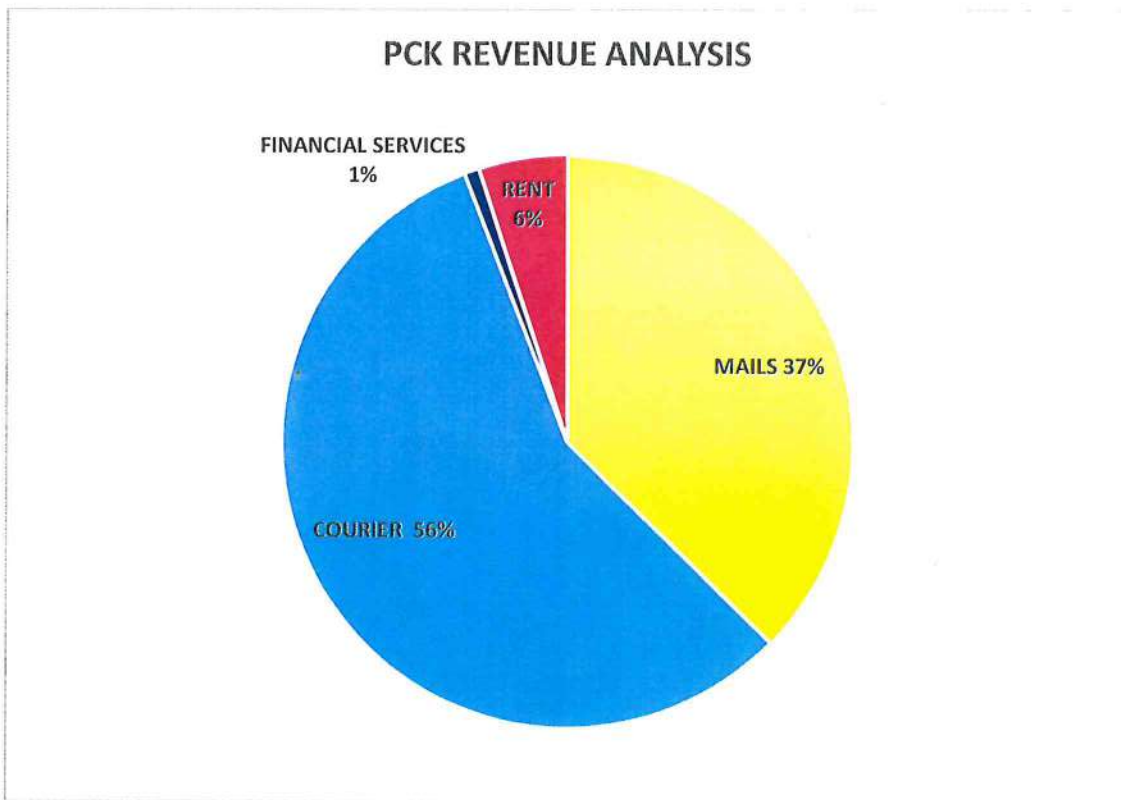


Table 4: 2022-2023 Revenue Performance Per Stream

OPERATING REVENUE ANALYSIS 2022-2023		
SERVICE	REVENUE GENERATED	CONTRIBUTION
MAILS	1,345,855,551.73	37%
COURIER	2,041,336,530.48	56%
FINANCIAL SERVICES	29,858,587.08	1%
RENT	201,550,064.43	6%
TOTAL	3,618,600,733.72	100%

MANAGEMENT DISCUSSION AND ANALYSIS.... *continued*

(b) Operating Expenditure

Operating expenditure reflected an increase of Kshs 300 million in 2022/2023 financial year compared to 2021/2022. The increase in the operating expenditure is as a result of soaring fuel prices and hiring of motor vehicles for IEBC business among others as shown below.

Major Reductions-:

- Staff cost-Kshs.59.7 million due to reduced staff numbers
- Conveyance of Mails Kshs.52 million due to renegotiated contract terms
- Maintenance expenses Kshs. 22.6 million due to acquisition of new computers
- International Services-Kshs 22.2 million due to decline in international mails business

Major Increments

- Operational costs increased by kshs. 439 million due to soaring fuel prices and IEBC transport hire
- Rental expenses increased by Kshs. 1.9 million due to escalation clauses in lease agreements
- Administration expenses increased by Kshs. 13 million due to mass expiry of staff contracts
- Training expenses increased by Kshs.3.1million due to postal officers' training
- Directors expenses increased by 3.4 million due to changes in board composition

MANAGEMENT DISCUSSION AND ANALYSIS....continued

Three Years Expenditure Comparatives in Millions

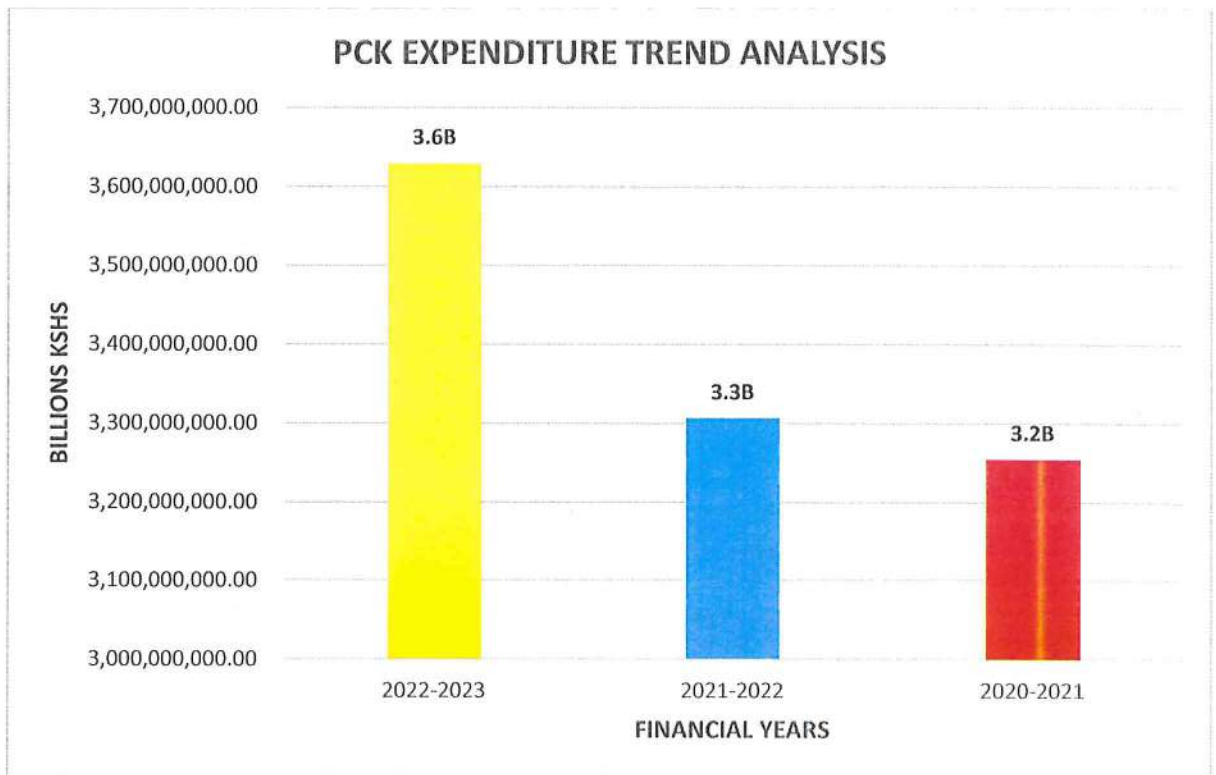


Table 5: 2020/2021-2022/2023 Three Years Expenditure Comparatives

EXPENDITURE			
FINANCIAL YEAR	2022-2023	2021-2022	2020-2021
TOTAL	3,607,112,292	3,306,923,221	3,255,036,976

MANAGEMENT DISCUSSION AND ANALYSIS....continued

Three Years Expenditure Items Analysis

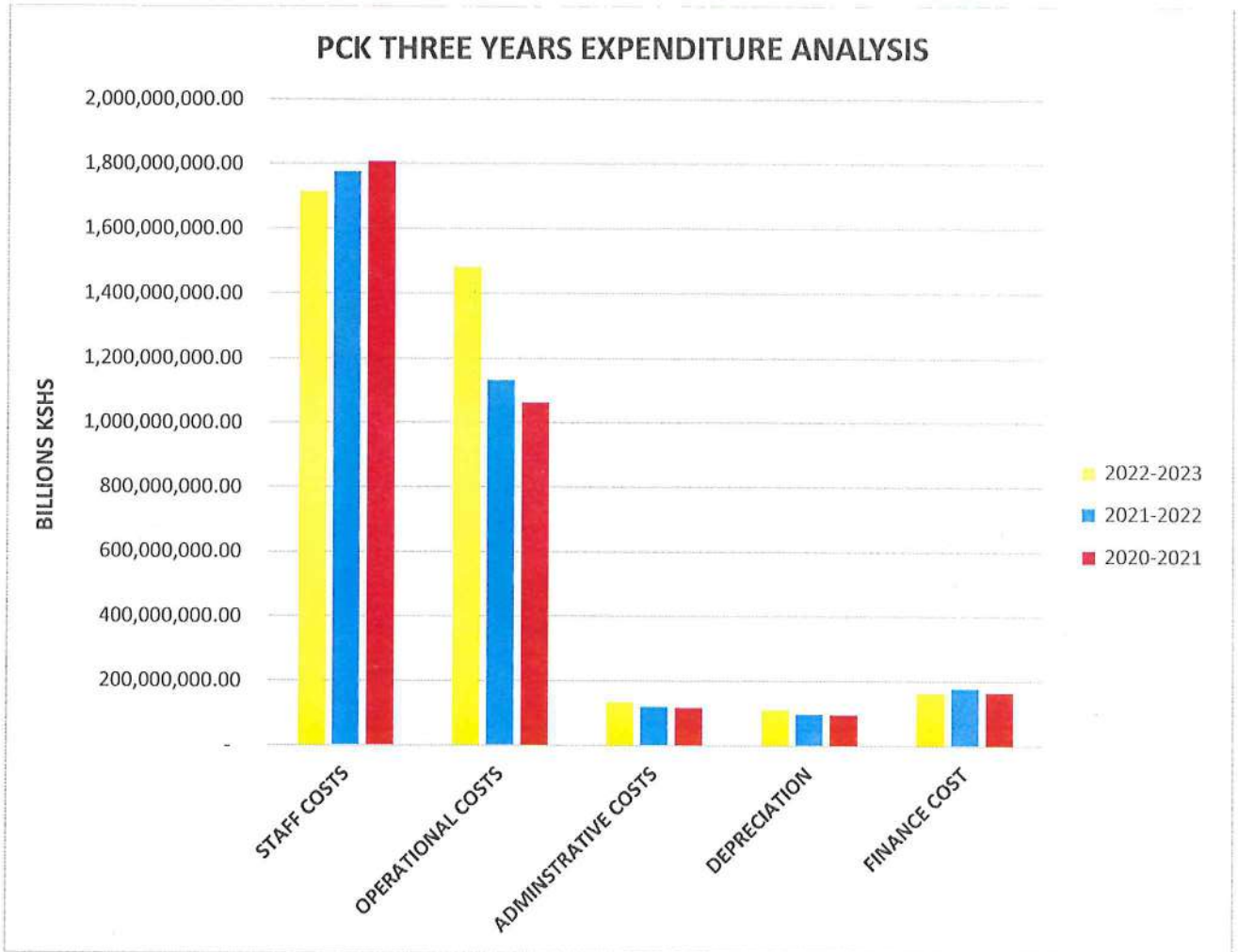


Table 6: Three Years Expenditure Items Analysis 2020-2021-2022/2023

FINANCIAL YEAR	2022-2023	2021-2022	2020-2021
STAFF COSTS	1,716,696,487.64	1,776,452,372.15	1,808,147,814.16
OPERATIONAL COSTS	1,473,040,196.66	1,132,628,030.04	1,063,368,836.99
ADMINISTRATIVE COSTS	137,002,980.46	120,501,661.15	118,464,201.13
DEPRECIATION	113,562,051.83	98,496,886.99	97,255,238.99
FINANCE COST	166,810,575.00	178,844,271.07	167,800,885.07

MANAGEMENT DISCUSSION AND ANALYSIS....continued

Table 7: 2022/2023 Expenditure Items Analysis

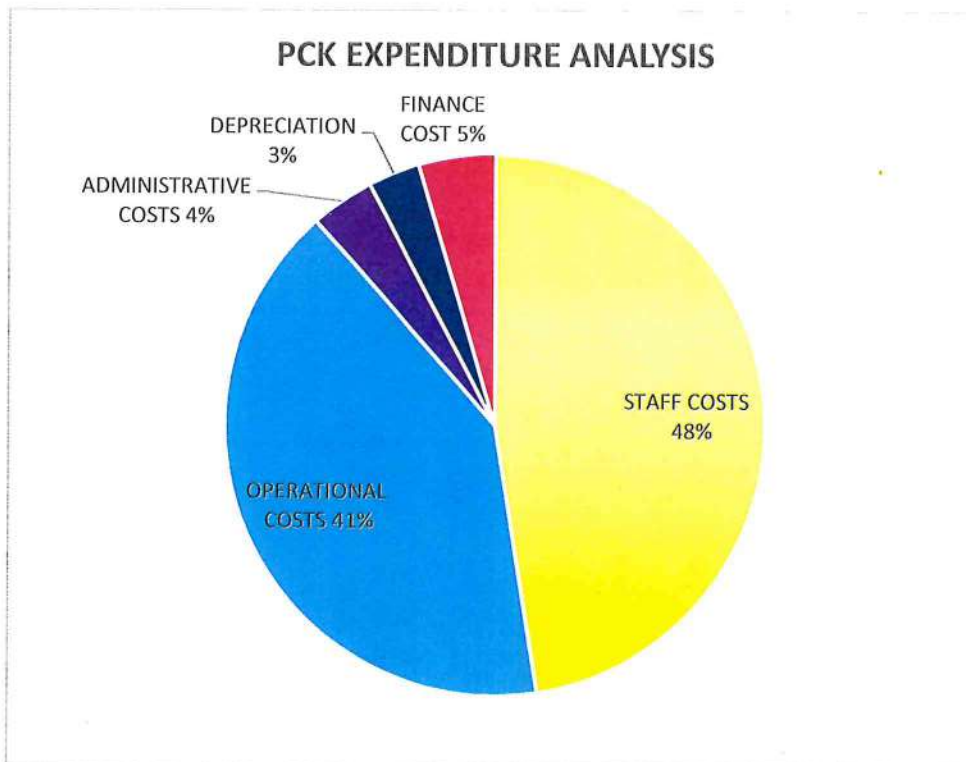


Table 7; Financial Year 2022/2023 Expenditure Analysis

EXPENDITURE ANALYSIS 2022-2023		
SERVICE	EXPENDITURE	CONTRIBUTION
STAFF COSTS	1,716,696,487.64	48%
OPERATIONAL COSTS	1,473,040,196.66	41%
ADMINISTRATIVE COSTS	137,002,980.46	4%
DEPRECIATION	113,562,051.83	3%
FINANCE COST	166,810,575.00	5%
TOTAL	3,607,112,291.59	100%

MANAGEMENT DISCUSSION AND ANALYSIS....*continued*

(c) Financial Results

The financial results reflected a net profit of Kshs 50 million compared to a net profit of Kshs. 291 million in 2021/2022

(d) Ratios

	<u>2022/2023</u>	<u>2021/2022</u>	
Liquidity ratio:	0.27	0.21	Current Assets / Current liabilities
Gearing ratio	0.64	0.61	Total liabilities/ Total Assets
Return on investment	0.01 %	0.02%	Net Profit /loss before tax/Total Assets

X. 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 revamp 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
- 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 2022 where it incurred Kshs.440,000 for Cash Prizes for the winners of UPU letter writing competition. The Corporation also participated in planting indigenous trees in Western region

**Postal Corporation of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2023**

XI. REPORT OF THE DIRECTORS

The Directors of Postal Corporation of Kenya (PCK) wish to submit their report together with the financial statements for the financial year ended 30 June 2023.

i) Principal Activities

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

ii) Results

The results of the entity for the year ended June 30, 2023 are set out on page xxv. Below is summary of the profit or loss made during the year.

	<u>KShs</u>
Profit/(Loss) before Tax	50,769,742
Less Corporation Tax	_____
Net Profit/ (Loss) after Tax for the Year	50,769,742

iii) Directors

The members of the Board of Directors who served during the year are shown on page v.

iv) Auditors

The Auditor General is responsible for the statutory audit of Postal Corporation of Kenya (PCK) in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

Jane Masara


Signature

28th September, 2023
Date

Corporation Secretary/Secretary to the Board

XII. 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.

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, 2023, 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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES(Continued)

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 ^{28th} September, 2023 and signed on its behalf by:


Signature

**Hon, Sen, Dr. Rose A. Nyamunga
Chairperson of the Board**


Signature

**John K. Tonui
Postmaster General & CEO**

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
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, 2023

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 the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the 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, risk management environment and 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 38, which comprise the statement of financial position as at

30 June, 2023, 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 the 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, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards and comply with the Public Finance Management Act, 2012 and Postal Corporation Act, 1998.

Basis for Qualified Opinion

1.0. Land and Buildings Without Ownership Documents

The statement of financial position reflects property, plant and equipment net book value of Kshs.11,637,160,819 as disclosed in Note 10(a) 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 2021/2022 and earlier financial 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 of land valued at Kshs.1,688,210,000 could not be confirmed.

2.0. Unsupported and Doubtful Recovery of Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.2,136,827,207 which, as disclosed in Note 11 to the financial statements, includes Kshs.177,695,268 in respect of Posta Pay transactions receivable after termination of the contract between a service provider and the Corporation. However, as previously reported, supporting documents for the debt were not provided for audit. Further as previously reported, the trade and other receivables balance 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 audit indicated that Insurance Company declined to compensate for the loss, Management has not explained the measures taken to recover the same from the former employees.

In the circumstances, the accuracy, completeness and recoverability of trade and other receivables balance Kshs.204,483,238 could not be confirmed.

3.0. Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.9,116,202,743 as disclosed in Note 13 to the financial statements. However, audit of this balance revealed the following unsatisfactory matters:

3.1. Unsupported Contingent Liabilities Balance

The balance of Kshs.9,116,202,743 includes Kshs.96,819,339 in respect of contingent liabilities. Management explained that the liabilities 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 the 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 to support the unpaid liability.

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

3.2. Long Outstanding Trade and Other Payables

The balance of Kshs.9,116,202,743 also includes Kshs.40,440,745 out of which, an amount of Kshs.31,536,616 relates to historical payables which have remained unsettled for a long period of time as previously reported. Management has not provided measures taken to ensure that the long outstanding historical pending payables are prioritized.

Failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

4.0. Undisclosed Material Uncertainty Related to Going Concern

During the year under review, the Corporation realized a surplus of Kshs.50,769,742 as reported in the statement of profit or loss and other comprehensive income. The surplus marginally increased the accumulated general reserve to a negative Kshs.6,236,189,635 from negative Kshs.6,286,959,377 reported in the financial year ended 30 June, 2022. Further, the statement of financial position reflects current assets balance of Kshs.2,385,467,675 and current liabilities balance of Kshs.9,116,202,743, resulting in a negative working capital of Kshs.6,730,735,068. These conditions indicate the existence of a material uncertainty, which may lead to significant doubt on the Corporation's ability to continue as a going concern. However, this material uncertainty and any mitigating measures put in place by the Management to reverse the undesirable financial position were not disclosed in a note to the financial statements.

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, creditors and other stakeholders.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Postal Corporation of Kenya Management in accordance with ISSAI 130 on the 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.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a final receipts budget and actual on comparable basis amounts of Kshs.3,890,960,349 and Kshs.3,657,882,034 respectively, resulting in an under-funding of Kshs.233,078,315, or 6% of the budget. Similarly, the Corporation expended a total of Kshs.3,296,661,288 against an approved budget of Kshs.3,632,140,715, resulting in an under-expenditure of Kshs.335,479,427, or 9% of the budget.

The underfunding and the under-expenditure affected the planned activities of the Corporation and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, 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

Unresolved Prior Year Matters

In the audit report for the previous year, several audit issues were raised. However, Management has not resolved these prior year issues and has not provided the reasons for not resolving them. Further, the prior year audit matters have not been disclosed in Implementation Status of Auditor-General Prior Year Recommendations section of the financial statements as required by the Public Sector Accounting Standards Board.

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

1.0. Wasteful Expenditure

The statement of profit or loss and other comprehensive income reflects finance costs amount of Kshs.166,810,575 which, as disclosed in Note 9 to the financial statements, includes Kshs.146,328,288 in respect of interest on unpaid pensions. The accumulated interest, would have been avoided had the Corporation remitted the pensions dues in time.

In the circumstances, value for money to be realized from the expenditure of Kshs.146,328,288 could not be confirmed.

2.0. Unremitted Payroll Deductions

The statement of financial position reflects trade and other payables balance of Kshs.9,116,202,742 which, as disclosed in Note 13 to the financial statements, includes statutory deductions balance of Kshs.1,012,629,028 in respect Pay-As-You Earn (PAYE) 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 remain unpaid.

Further, the trade and other payables balance include Kshs.1,979,477,781 in respect of pensions and gratuities deductions, Kshs.96,803,813 due to Cooperatives, and Kshs.326,170,331 in respect of staff bank loans which had not been remitted to the relevant financial 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 remit within the stipulated time.

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

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 comply, 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 THE 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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 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 governance.

In preparing the financial statement, 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.

In addition to the responsibility for the preparation and presentation of the 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 overall 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 controls 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 Corporation 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.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

30 April, 2024


**XII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023.**


	Notes	2022/2023 KSHS	2021/2022 KSHS
OPERATING REVENUES			
Operating revenue	2	3,506,520,414	2,535,967,793
Finance income	3	960,603	3,048,165
Other Income	4	118,829,896	1,061,515,209
Other gains and losses	5	(7,710,180)	(1,790,239)
		<u>3,618,600,734</u>	<u>3,598,740,928</u>
Grants & Donations	6	39,281,300	-
Total revenue		<u>3,657,882,034</u>	<u>3,598,740,928</u>
OPERATING EXPENSES			
Administrative expenses	7	1,853,699,468	1,896,954,033
Operational expenses	8	1,586,602,248	1,231,124,917
Finance costs	9	166,810,575	178,844,271
Total operating expenses		<u>3,607,112,292</u>	<u>3,306,923,221</u>
Operating Surplus/(Deficit)		50,769,742	291,817,706
Net surplus/(Deficit) before tax		50,769,742	291,817,706
Income tax expense		-	-
Net Surplus/(Deficit) after Tax		<u>50,769,742</u>	<u>291,817,706</u>


XIII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

		<u>2022/2023.</u> KSHS	<u>2021/2022</u> KSHS
Assets	Notes		
Non- Current Assets			
Plant Property and Equipment	10.a	11,637,160,819	11,635,661,355
Intangible asset	10.b	<u>313,554,473</u>	<u>314,482,473</u>
		<u>11,950,715,292</u>	<u>11,950,143,828</u>
Current Assets			
Trade and Other Receivables	11	2,136,827,207	1,245,254,761
Cash and Bank	12	<u>248,640,468</u>	<u>361,404,083</u>
		<u>2,385,467,675</u>	<u>1,606,658,844</u>
Total Assets		<u>14,336,182,967</u>	<u>13,556,802,672</u>
Reserves and Liabilities			
Current liabilities			
Trade & Other payables	13	<u>9,116,202,743</u>	<u>8,354,899,454</u>
		<u>9,116,202,743</u>	<u>8,354,899,454</u>
Reserves			
General reserve	14	(6,236,189,635)	(6,286,959,377)
Revaluation Reserve	15	<u>11,318,554,398</u>	<u>11,318,554,398</u>
Total Reserves		<u>5,082,364,762</u>	<u>5,031,595,020</u>
Non Current liabilities			
CBA Loan	16	<u>137,615,462</u>	<u>170,308,198</u>
Total Non Current liabilities		<u>137,615,462</u>	<u>170,308,198</u>
Total Reserves and Liabilities		<u>14,336,182,967</u>	<u>13,556,802,672</u>

The financial statements were approved by the Board on 28.09.2023 and signed on its behalf by:


John K. Tonui
Postmaster General & C.E.O


George K. Hinga
General Manager Finance
ICPAK M/NO: 13536


Hon. Sen. Dr. Rose A. Nyamunga
Chairman of the Board

XIV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	Note	General Reserve	Revaluation Reserve	Total
As at 1 July 2021		(6,437,441,894)	11,318,554,398	4,881,112,504
Net profit / Deficit for the year		291,817,706	-	291,817,706
Write Down of Tax Recoverable Revaluation Adjustments		(141,335,189)		-
Revaluation Gain				-
As at 30 June 2022		(6,286,959,377)	11,318,554,398	5,031,595,021
Revaluation Adjustments			-	-
Write Down of Tax Recoverable		-	-	-
Net profit / Deficit for the year		50,769,742		50,769,742
As at 30 June 2023		(6,236,189,635)	11,318,554,398	5,082,364,763

XV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2022/2023. <u>KSHS</u>	2021/2022. <u>KSHS</u>
Cash receipts from customers		3,204,498,821	2,698,157,376
Cash paid to suppliers and staff		(3,178,071,157)	(2,546,065,892)
Cash generated from operations		<u>26,427,664</u>	<u>152,091,484</u>
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of assets		3,765,000.00	3,401,500
Purchase of Property and Equipments	10	(115,378,780)	(73,853,242)
Interest income	3	960,603	3,031,665
Cash advanced to staff		(14,644,380)	(6,684,492)
Net cashflow from Investing activities		<u>(125,297,557)</u>	<u>(74,104,569)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
QSF Grant	16	39,281,300	-
Loan Repayments	16	(32,692,736)	(29,271,123)
Loan interests	16	(20,482,287)	(22,339,357)
Net cashflow from financing activities		<u>(13,893,722)</u>	<u>(51,610,480)</u>
Net Increase /Decrease in PCK Cash		(112,763,615)	26,376,435
Cash and Cash Equivalent at beginning		<u>361,404,084</u>	<u>335,027,649</u>
Cash and Cash Equivalent at year end		<u>248,640,468</u>	<u>361,404,084</u>

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2023

Description	Original budget	Adjustment	Final budget	Actuals	Performance difference	% of Utilization
	2022/2023.	2022/2023.	2022/2023.	2022/2023.		
REVENUE	4,416,021,000	(525,060,651)	3,890,960,349	3,657,882,034	(233,078,315.20)	
Less OPERATING EXPENDITURE						
Staff Cost	1,992,462,435	(166,457,674)	1,826,004,761	1,716,696,488	(109,308,273.36)	-6%
Administration Cost	177,632,000	25,657,336	203,289,336	119,835,002	(83,454,333.90)	-41%
Directors Expenses	21,220,000	-	21,220,000	17,167,978	(4,052,021.64)	-19%
Operational Cost	693,998,520	103,717,887	797,716,407	755,047,974	(42,668,433.46)	-5%
Conveyance of Mail	139,870,000	(1,020,000)	138,850,000	117,209,518	(21,640,482.35)	-16%
International Services Exper	58,000,000	-	58,000,000	83,807,355	25,807,355.20	44%
Rental Expenses	239,000,000	(36,752)	238,963,248	236,216,455	(2,746,792.88)	-1%
Maintenance Expenses	125,252,000	(6,362,000)	118,890,000	80,070,090	(38,819,910.05)	-33%
Training Expenses	14,000,000	600,000	14,600,000	15,120,395	520,394.84	4%
Telephone and Data	53,743,000	(12,459,500)	41,283,500	38,392,425	(2,891,075.04)	-7%
Other expenses	336,986,314	(163,662,851)	173,323,463	117,097,608	(56,225,854.62)	-32%
	3,852,164,269	(220,023,554)	3,632,140,715	3,296,661,288	(335,479,427.26)	-9%
Provision for Depreciation				112,634,052		
Non operating expenditure				166,810,575		
Amortisation				928,000		
Provision for bad debts				30,078,377		
				3,607,112,292		
Surplus/(Deficit) for the year				50,769,742		

•Under-absorption was caused by cashflow challenges

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 but not yet effective in the year ended 30 June 2023.***

Title	Description	Effective Date
IFRS S2-Climate Related Disclosures	The objective of IFRS S2 is to require an entity to disclose information about its climate related risks and opportunities that could reasonably be expected to affect the entity's prospects'	IFRS S2 is effective for annual reporting periods beginning on 1 st January,2024 with earlier application permitted as long as IFRS S1 General Requirements for Disclosure of Sustainability related financial information is also applied

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Title	Description	Effective Date
	IFRS S2 requires an entity to disclose information that is useful to users of general-purpose financial reports in making decisions relating to providing resources to the entity.	

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 2022/2023

4. 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 and Donations** are recognised in the year in which the Corporation actually receives such grants and donations.
- 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 30st 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:

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

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

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 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

m. 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 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.

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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 reassessed 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.

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

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

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. NSSF contributions were set at a minimum of Ksh200, but following a recent review that took effect on February 15, 2023, all employees shall contribute 6% of their salaries towards the retirement plan, and the employer shall match the same to bring the total to a 12%

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>2022/2023</u>	<u>2021/2022</u>
Balance at beginning of the year (Kshs).	9,219,860.85	9,628,487.85
Staff leave pay	7,993,766.71	638,871
Additional provision at end of year (Kshs).	<u>8,540,841.46</u>	<u>230,244</u>
Balance at end of the year (Kshs).	<u>9,766,935.60</u>	<u>9,219,860.85</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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

t. Budget information

The original budget for FY 2022-2023 was approved by the National Treasury on 30th July 2023. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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, 2023.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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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NOTE 2	2022/2023.	2021/2022.
Revenue Analysis	KShs	KShs
Postal Revenue		
Sale of stamps	141,848,553	161,993,386
Parcels	230,274,113	322,470,519
Postage in bulk	225,873,647	243,297,065
Receipts from Foreign Administrations	74,271,630	120,852,462
EMS Service	1,710,835,357	563,727,426
Passports Delivery Services	100,227,061	113,097,815
Money order Commission	7,606,517	14,322,868
Box/ bag Rentals	748,528,065	729,136,352
EFT commission	492,094	1,534,130
Posta Despatch	26,815,055	17,214,277
Direct Mail Marketing	1,101,537	1,235,874
Post Liner Bus services	2,091,300	2,370,049
Posta Pesa Comm.	1,445	50,505
E-commerce Delivery Services	7,408,186	11,424,414
Miscellaneous	2,944,766	3,590,073
TOTAL	3,280,319,326	2,306,317,214
Post shops		
Posta shops	2,892,493	2,822,877
Total	2,892,493	2,822,877
Total postage and Post shops	3,283,211,819	2,309,140,091
Rent Income	201,550,064.43	200,840,341.78
AGENCY SERVICES		
Customs and Clearing Commissions	7,886,123.06	11,202,237.21
Mpesa and Airtel Commissions	8,199,708.05	7,797,572.80
Regional Agencies	5,672,700.20	6,987,550.60
Total Agency Revenue	21,758,531.31	25,987,360.61
Total Operating Revenue	3,506,520,414	2,535,967,793

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NOTES

	2022/2023. <u>Kshs</u>	2021/2022. <u>Kshs</u>
3 Finance income		
Bank Interest	960,603	3,031,665
Staff loans interest		16,500
	<u>960,603</u>	<u>3,048,165</u>
4 Other income		
	2022/2023. <u>Kshs</u>	2021/2022. <u>Kshs</u>
Decrease in Provision for General Bad Debts	-	1,058,794,099
Forfeiture of Keys for Box Rentals	115,723,440	
Decrease in Provision for Sheria Sacco Interest	2,000,000	
Sale of Stores	1,106,456	2,721,110
Total	<u>118,829,896</u>	<u>1,061,515,209</u>
5 Other Gains & Losses		
	2022/2023. <u>Kshs</u>	2021/2022. <u>Kshs</u>
Recovery of Losses-Euro Bank	1,021,064	
Loss on disposal of Motor Vehicle	(852,775)	(898,501)
Foreign exchange gain/loss	(7,878,469)	(891,738)
Total	<u>(7,710,180)</u>	<u>(1,790,239)</u>
6 Grants & Donations		
	2022/2023. <u>Kshs</u>	2021/2022. <u>Kshs</u>
Government QSF Grant	23,047,485	-
Donations from Trademark Africa	16,233,815	
	<u>39,281,300</u>	<u>-</u>

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7. Administration Expense

		2022/2023.	2021/2022.
		<u>Kshs</u>	<u>Kshs</u>
Staff costs	7.a	1,716,696,488	1,776,452,372
Consultancy Charges		7,033,243	4,070,557
Bank Charges		3,444,757	5,830,754
Office Administration		15,833,139	17,693,382
Corporate Social Responsibility		1,456,500	427,440
Insurance		18,537,459	11,664,780
Security Charges		73,453,454	66,975,712
Miscellaneous expense		76,450	145,762
Directors expense		<u>17,167,978</u>	<u>13,693,275</u>
Total		<u>1,853,699,468</u>	<u>1,896,954,033</u>

		2022/2023.	2021/2022.
7. a Staff costs		KShs	KShs
Salaries and Allowances		1,112,615,721	1,168,221,979
House Allowance		378,263,208	392,239,565
Leave allowance		36,949,752	29,308,011
Medical		83,506,910	93,058,772
Pension expense		105,360,897	93,624,046
		<u>1,716,696,488</u>	<u>1,776,452,372</u>

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

Permanent– Management staff	481	442
Permanent Unionisable staff	1,765	1,590
Contract and temporary staff	<u>125</u>	<u>407</u>
	<u>2,371</u>	<u>2,439</u>

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8. Operations Expense	Note	2022/2023.	2021/2022.
		KShs	KShs
Operation Expense	8(a)	755,207,974	315,879,027
Conveyance of mail	8(b)	117,209,518	169,604,982
International Services Expense	8(c)	83,807,355	106,462,348
Rental Expense	8(d)	236,216,455	234,229,321
Maintenance	8(e)	80,070,090	94,077,463
Training Expense	8(f)	15,120,395	12,018,380
Telephone and Data Communication	8(g)	38,392,425	39,163,654
Other Expenses	8(h)	117,097,608	117,466,598
Provision for bad debts	8(i)	30,078,377	43,726,258
Provision for depreciation	9.a	112,634,052	97,568,887
Provision for amortisation	9.b	928,000	928,000
		<u>1,586,762,248</u>	<u>1,231,124,917</u>

8(a). Operation Expense	2022/2023.	2021/2022.
	Kshs	Kshs
Postal Agencies	1,643,118	1,297,996
General Stores	38,642,629	41,011,732
Supply of Stamps	1,654,890	0
Vehicles Running Expenses	159,496,594	124,145,433
Compensation	1,591,001	1,244,886
Operating License	30,449,680	34,038,522
Transport hire, clearing and Freight charges	438,382,209	38,793,668
Travel subsistence allowances	83,347,852	75,346,789
Total	<u>755,207,974</u>	<u>315,879,027</u>

8(b). Conveyance of mail	2022/2023.	2021/2022.
	Kshs	Kshs
Road, Rail and Sea	7,369,020	7,968,211
Air International mail	3,870	16,105,417
Air International parcels	109,836,628	145,531,355
TOTAL	<u>117,209,518</u>	<u>169,604,982</u>

8(c). International Services Expense	2022/2023.	2021/2022.
	Kshs	Kshs
International Parcel Services -	76,192,775	72,237,033
International Mail Services -	7,614,580	34,225,315
Total	<u>83,807,355</u>	<u>106,462,348</u>

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8(d). Rental Expense	2022/2023.	2021/2022.
	KShs	KShs
Office Rentals	236,216,455	234,229,321
Total	236,216,455	234,229,321

8(e). Maintenance	2022/2023.	2021/2022.
	KShs	KShs
Equipment leasing	27,893,325	48,929,437
ICT maintenance and licences	20,549,031	17,205,111
Office Equipment Repairs	21,329,978	11,086,527
Building Maintenance	10,297,756	16,856,388
Total	80,070,090	94,077,463

8(f). Training Expense	2022/2023.	2021/2022.
	KShs	KShs
DIT	1,295,550	1,495,950
Training	13,824,845	10,522,430
Total	15,120,395	12,018,380

8(g). Telephone and Data Communication	2022/2023.	2021/2022.
	KShs	KShs
Telephone lines	11,054,065	10,689,175
Mobile lines	2,252,813	2,035,194
Data communication	25,085,547	26,439,286
Total	38,392,425	39,163,654

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8(h). Other Expenses	2022/2023.	2021/2022.
	KShs	KShs
Furniture and Fittings (Repairs)	173,005	173,420
Electricity/Water	34,311,912	31,371,541
PCK Sporting Activities	7,444,795	4,842,370
Legal Expenses	15,303,386	20,367,450
Health, Safety Environment (HSE)	16,749,980	16,366,027
Shows and Exhibitions	4,770,669	4,530,342
Electronic Media Adverts	6,891,994	2,974,680
Print Media Adverts	13,306,060	16,707,534
Outdoor advertisement	13,845,126	16,063,185
Entertainment	569,800	361,586
Audit fees	3,484,640	3,484,640
Tax on fridge benefits	246,241	223,822
Total	<u>117,097,608</u>	<u>117,466,598</u>

8(i). Provision for bad debts

The Corporation has increased the provision for bad debts by Kshs.30 million to cover long outstanding EMS and other debtors that have been outstanding for more than over one year.

	2022/2023.	2021/2022.
	KShs	KShs
Opening provision	1,501,312,896	2,516,380,737
Provision for bad debts	30,078,377	43,726,258
Decrease in Provision	-	(1,058,794,099)
TOTAL provision	<u>1,531,391,273</u>	<u>1,501,312,896</u>

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9. Finance Costs	2022/2023.	2021/2022.
	KShs	KShs
Interest on unpaid sacco dues	0	12,000,000
Interest on NCBA Loan	20,482,287	22,339,357
Interest on unpaid pensions	<u>146,328,288</u>	<u>144,504,914</u>
	<u>166,810,575</u>	<u>178,844,271</u>

10. a. Property, Plant and Equipment

	LAND	BUILDINGS	VEHICLES	OFFICE EQUIP.	COMPUTERS	W. I. P	TOTAL
COST/VALUATION AS AT 01/07/2021	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						-	
COST/VALUATION AS AT 30.06.2022	9,036,850,000	2,271,644,859	130,811,739	190,902,282	102,161,361	-	11,732,370,241
DEPRECIATION							
BAL B/F 01/07/2021	-	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)
Adjustments						-	
AS AT 30/06/2022	9,036,850,000	2,225,348,883	111,573,961	170,542,570	91,345,941	-	11,635,661,355
BALANCE AS AT 30 JUNE 2022	9,036,850,000	2,225,348,883	111,573,961	170,542,570	91,345,941	-	11,635,661,355
COST/VALUATION AS AT 01/07/2022	9,036,850,000	2,225,348,883	111,573,961	170,542,570	91,345,941	-	11,635,661,355
Additions		6,511,986	62,906,549	4,839,330	44,493,425	-	118,751,290
Disposals			(6,610,000)			-	(6,610,000)
Adjustments						-	
COST/VALUATION AS AT 30.06.2023	9,036,850,000	2,231,860,869	167,870,510	175,381,900	135,839,366	-	11,747,802,645
DEPRECIATION							
BAL B/F 01/07/2022	-	92,562,976	40,195,575	39,509,052	20,768,540	-	193,036,143
Charge for the year		46,358,237	22,847,755	21,005,162	22,422,896	-	112,634,051
Disposals			(1,992,225)			-	(1,992,225)
TOTAL DEPRECIATION AS AT 30.06.2023	-	138,921,213	61,051,105	60,514,214	43,191,436	-	303,677,969
NET BOOK VALUE AS AT 30.06.2023	9,036,850,000	2,185,502,632	147,014,980	154,376,738	113,416,470	-	11,637,160,819

10. b. Intangible asset

	SOFTWARES	WORK IN PROGRESS		WORK IN PROGRESS	
		1.ERP	2.POSTAPESA-CEVA	3.MOBILE APP	3.MOBILE APP
01.07.2022	928,000	255,749,829	55,104,644	2,700,000	314,482,473
COMPUTER SOFTWARES					
Amortization for the year	928,000				928,000
BAL CFWD 30.06.2023	-	255,749,829	55,104,644	2,700,000	313,554,473

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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Current Assets	2022/2023	2021/2022
	<u>Kshs</u>	<u>Kshs</u>
Note 11		
Trade and Other Receivables		
Service Debtors		
Foreign Administration	887,195,610	970,594,992
E M S	1,602,409,643	629,442,313
Bulky Postage	192,046,603	193,922,293
Money Orders Inter-state	41,646,854	57,972,702
Postapay	177,695,268	177,695,268
Rent Receivable	231,400,744	197,654,102
Rent Deposits	434,889	434,889
Total service Debtors	<u>3,132,829,610</u>	<u>2,227,716,558</u>
Agency:		
Kenya post office Savings Bank	369,211,938	367,539,998
Telkom Kenya Ltd	29,901,137	16,657,249
Telposta Pension Scheme	17,585,070	17,585,070
Other Agency Debtors	57,659,784	54,698,231
Total Agency debtors	<u>474,357,929</u>	<u>456,480,548</u>
Other Debtors		
Staff Advances	51,000,428	52,340,039
Other Deposits(court attachments)	8,630,513	8,630,513
Hospitals Deposits	1,400,000	1,400,000
Net Other Debtors	<u>61,030,941</u>	<u>62,370,552</u>
Total Debtors	<u>3,668,218,480</u>	<u>2,746,567,657</u>
Provision for Bad debts	<u>(1,531,391,273)</u>	<u>(1,501,312,896)</u>
Total Net Debtors	<u><u>2,136,827,207</u></u>	<u><u>1,245,254,761</u></u>

Note 12

Cash and Bank Balance

Cash on Hand	29,392,581	32,970,872
Bank Balances	212,067,888	292,801,355
Cash in transit	259,500	602,365
E-Value	6,920,499	35,029,491
Total	<u><u>248,640,468</u></u>	<u><u>361,404,083</u></u>

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Note 13. Trade and other Payables	2022/2023	2021/2022
	<u>Kshs</u>	<u>Kshs</u>
Service Creditors		
Foreign Administration	732,197,758	735,894,958
Money Orders/IFS	93,948,694	103,901,577
Postapay(Revenue Share and Network fe	92,544,072	92,544,072
New Posta pay EFT	1,199,668,717	1,204,471,802
Postal Orders	4,422,640	4,422,640
Key Letter Box Deposits	102,849,600	212,896,765
Rental Deposits	30,973,073	27,355,151
Conveyance of Mail	411,647,750	389,175,075
	<u>2,668,252,304</u>	<u>2,770,662,040</u>
Agencies		
Agency accounts	724,206,136	755,543,488
Kenya Post Office Savings Bank	602,447,551	602,447,551
	<u>1,326,653,687</u>	<u>1,357,991,039</u>
Other Creditors		
Statutory	1,011,378,201	724,205,005
Excise duty	1,250,827	828,164
Pensions and Gratuties	1,979,477,781	1,777,397,774
Provision for staff leave	9,766,936	9,219,861
Institutions Insurances	7,865,099	8,948,667
Cooperatives	96,803,813	98,798,133
Bank Staff Loans	326,170,331	309,846,967
Administration	126,549,078	129,029,021
Operations	1,168,822,415	631,021,724
Rentals	68,720,330	145,159,787
Training	10,403,168	6,880,717
Contingent Liabilities	96,819,339	96,819,339
Suppliers:		
Other creditors	40,440,745	76,951,290
Miscellaneous	176,828,687.62	211,139,924
	<u>5,121,296,751</u>	<u>4,226,246,373</u>
Total others	<u>5,121,296,751</u>	<u>4,226,246,373</u>
Total Current Payables	<u>9,116,202,742</u>	<u>8,354,899,453</u>

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14. General reserve	2022/2023 <u>Kshs</u>	2021/2022 <u>Kshs</u>
As at 1 July (Restated)	(6,286,959,377)	(6,437,441,894)
Revaluation adjustments	-	-
Net profit / Deficit for the year	50,769,742	291,817,706
As at 30 June	<u>(6,236,189,635)</u>	<u>(6,145,624,188)</u>
15. Revaluation reserve	2022/2023 <u>Kshs</u>	2021/2022 <u>Kshs</u>
As at 1st July	11,318,554,398	11,318,554,398
Revaluation Adjustment	-	-
Revaluation Gain	-	-
As at 30th June	<u>11,318,554,398</u>	<u>11,318,554,398</u>

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16. Loan Balance

	2022/2023	2021/2022
Opening bank loan balance	170,308,198.00	199,579,321.17
Addition		
Repayment	<u>(32,692,735.88)</u>	<u>(29,271,123.30)</u>
closing balance	<u>137,615,462.12</u>	<u>170,308,197.87</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.146 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.

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

	2022-2023
	Kshs
a) Sales to related parties	
Rent Income from MOICT	9,817,567.20
EMS and agency fees from MOICT	66,805.00
Box rentals revenue from MOICT	75,600.00
Total	9,959,972.20
b) Purchases from related parties	
Purchases from related parties	
Other expense -	
Total	
b) Grants from the Government	
Grants from National Govt	Nil
Total	
c) Expenses incurred on behalf of related party	nil

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	2022-2023
	Kshs
d) Key management compensation	
Directors' emoluments	17,167,978
Compensation to key management	56,911,633
Total	74,079,611

20. CAPITAL COMMITMENTS

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

	2022-2023
	Kshs
Amounts authorised and contracted for	
Amounts authorizes but not contracted for	
Less: Amounts included in Work in progress	
	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:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (Continued)

	Total amount Kshs	Fully performing Kshs	Past due Kshs
At 30th June 2023			
Receivables from exchange transactions	2,075,796,266	1,555,093,587.35	520,702,678.65
Receivables from non-exchange transactions	61,030,941	10,030,513	51,000,428
Bank balances	248,640,468	248,640,468	0
Total	2,385,467,675	1,847,144,434.35	571,703,105.65
At 30th June 2022			
Receivables from exchange transactions	1,245,254,761	714,775,732	530,479,029
Receivables from non-exchange transactions			
Bank balances	361,404,083	361,404,083	0
Total	1,606,658,844	1,076,179,815	530,479,029

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 IEBC.

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)

	Total
	Kshs
At 30 June 2023	
Trade payables	6,999,109,499
Current portion of borrowings	137,615,462 0
Provisions	0
Deferred income	0
Employee benefit obligation	1,979,477,781
Total	9,116,202,742
At 30 June 2022	
Trade payables	6,642,617,049
Current portion of borrowings	170,308,198
Provisions	0
Deferred income	0
Employee benefit obligation	1,541,974,206
Total	8,354,899,453

(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.

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:

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2023			
Financial assets (investments, cash ,debtors)	887,195,610	0	887,195,610
Liabilities			
Trade and other payables	732,197,758	0	732,197,758
Borrowings	0	0	0
Net foreign currency asset/(liability)	154,997,852	0	154,997,852

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.

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2022-2023			
Euro	4%	(7,878,469)	(7,878,469)
USD	4%		
2021-2022			
Euro	2%	(891,738)	(891,738)
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.

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:

	2022-2023	2021-2022
	Kshs	Kshs
Revaluation reserve	11,318,554,398	11,318,554,398
Retained earnings	(6,236,189,635)	(6,286,959,377)
Capital reserve		
Total funds	5,082,364,763	5,031,595,021
Total borrowings	137,615,462	170,308,198
Less: cash and bank balances	248,640,468	361,404,083
Net debt/(excess cash and cash equivalents)	4,662,728,967	4,499,882,740
Gearing	64%	61%

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.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Plant, Property & Equipment	The management has written to CS Land and EACC	GM/Operations	In progress	2023/2024
2.0	Going Concern	Being addressed through improvement of revenue and cost cutting measures	Postmaster-General	Improving	2023/2024
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	2023/2024
5.0	Trade and Other Receivables	Reconciliation nearing completion	Corporation secretary , GM/ Finance	In progress Telkom resolved	Dec 2023
6.0	Trade and Other Payables	Reconciliation nearing completion	Corporation secretary ,GM Finance	In progress Telkom resolved	Dec 2023

**Postal Corporation of Kenya
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For the year ended June 30, 2023**

APPENDIX II:

INTER-ENTITY TRANSFERS

ENTITY NAME:				
Break down of Transfers from the State Department of XXX				
FY 2022/23				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
a.	Recurrent Grants			
		Total		
b.	Development Grants			
	nil			
c.	Direct Payments			
	nil			
d.	Donor Receipts			
	nil			

