

REPUBLIC OF KENYA



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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**POLICYHOLDERS COMPENSATION FUND CAR  
AND MORTGAGE LOAN SCHEME**

**FOR THE YEAR ENDED  
30 JUNE, 2025**



OFFICE OF THE AUDITOR GENERAL  
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POLICYHOLDERS COMPENSATION FUND

Dhamana Ya Bima Yako

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**PCF CAR AND MORTGAGE LOAN SCHEME**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
30<sup>TH</sup> JUNE 2025**

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**Prepared in accordance with the Accrual Basis of Accounting Method under the  
International Public Sector Accounting Standards (IPSAS)**

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## **1.0 Acronyms and Definition of Key Terms**

### **A. Acronyms**

BoT	Board of Trustees
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MT	Managing Trustee
OAG	Office of the Auditor General
PCF	Policyholders Compensation Fund
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
SRC	Salaries and Remuneration Commission
TNT	The National Treasury

**B. Definition of Key Terms**

**Fiduciary management-** Members of management entrusted directly with the responsibility and trust for the organisation financial resources.

**Comparative Year-** Means the prior period.

**Scheme** - Policyholders Compensation Fund Car & Mortgage loan scheme

**Fund** - Policyholders Compensation Fund

**Managing Trustee** - Accounting Officer/Chief Executive Officer

**Scheme Administrator** - Institution(s) appointed by the Fund to administer the scheme

**Scheme Administration Committee** - Members of staff appointed by the Managing Trustee to oversee the operations of the Scheme

## **2.0 Key Scheme information and management**

### **a) Background information**

Policyholders Compensation Fund (PCF) is established under section 179 of the Insurance Act (Cap 487) and operationalized through Legal Notice No. 105 of 2004 and Insurance (Policyholders Compensation Fund) Regulations, 2010. The Fund was established for the primary purpose of providing compensation of policyholders of an insurer placed under a statutory manager or whose license has been cancelled.

PCF Staff Car Loan and Mortgage Scheme was established in line with Salaries & Remuneration Commission Circular No. SRC/ADM/CIR/1/13 Vol. III (128) of 17<sup>th</sup> December 2014, PCF Human Resource Policy & Procedures Manual (2021), Staff Mortgage and Car loan policies. The Scheme was operationalized in November 2022 following approval by the Board of Trustees and The National Treasury. The Scheme is wholly owned by Policyholders Compensation Fund and is domiciled in Kenya. The administration of the scheme has been outsourced to two financial institutions namely:

- |                              |   |                      |
|------------------------------|---|----------------------|
| 1. Cooperative Bank of Kenya | - | Mortgage loan scheme |
| 2. Kenya Commercial Bank     | - | Car loan scheme      |

### **b) Principal Activities**

The principal activity is to provide car and mortgage loans to PCF staff. The Scheme has the following objectives:

- i. Enhance PCF's ability to attract, motivate and retain talent
- ii. Enhance welfare of the employees by enabling them to buy, build or renovate houses as well as acquire vehicles.
- iii. Enhance the Fund's staff access the mortgage and car loan facilities at concessionary rates.
- iv. Support the Governments agenda on affordable housing

The Car Loan and Mortgage scheme is administered by Kenya Commercial Bank and Cooperative Bank respectively. There is a committee charged with the responsibility of ensuring administrators process loans from applicants in accordance with the approved instruments and signed memoranda of understanding.

The PCF staff Car Loan and Mortgage Scheme Administration Committee was appointed by the Managing Trustee on 22<sup>nd</sup> December 2022 with the following functions:

- i) Oversee the management of the Fund's mortgage and car loan schemes.
- ii) Negotiate with the Administrator (bank) and recommend to the Managing Trustee the interest rates applicable to unutilized monies in the scheme.
- iii) Monitor and evaluate the performance of the two schemes and prepare quarterly reports on the same to the Managing Trustee for decision making.
- iv) Cause to be kept proper books and records of accounts of the car and mortgage loan schemes.
- v) Recommend to the Managing Trustee on any updates of the Fund's car and mortgage scheme policy in view of any policy gaps or improvements in line with any changes in Government Regulations, Guidelines and best practice.
- vi) Perform any other functions that are ancillary to the objects and purpose for which the subject schemes are established.

**c) Scheme Administration Committee**

The schemes administration committee comprised of the following staff members:

SN	Position	Name
1	Committee Chairperson	Mr. James Njogu
2	Committee Member	Mr. Moses Kiptoon
3	Committee Member	Mr. Bernard Rotich*
4	Committee Member/Secretary	Ms. Hilda Sang/ Secretary
5	Committee Member /Scheme Accountant	Ms. Christine Ruoro

**Scheme Administrators**

1	Scheme Administrator - Car loan	Kenya Commercial Bank Ltd
2	Scheme Administrator - Mortgage Loan	Cooperative Bank of Kenya

*\*Exited PCF on 10<sup>th</sup> March 2025*

**d) Key Management**

SN	Position	Name
1.	Managing Trustee	Mr. Mohamed A. Sahal
2.	Committee Chairperson	Mr. James Njogu
3.	Committee Member	Mr. Moses Kiptoon
4.	Committee Member	Mr. Bernard Rotich
5.	Committee Member/Secretary	Ms. Hilda Sang

6. Committee Member /Scheme Ms. Christine Ruoro  
Accountant

**e) Fiduciary Oversight Arrangements**

SN	Position	Name
1	Board of Trustees	Board of Trustees
2	Managing Trustee/Accounting Officer	Mr. Mohamed Sahal
3	Deputy Director Internal Audit	Mr. Martin Michael Kamau
4	Office of the Auditor General	Office of the Auditor General

**f) Registered Office**

P.O. Box 24203 -00100  
Nairobi, KENYA  
6<sup>th</sup> Floor, KWFT Centre,  
Upperhill

**g) Scheme Contacts**

Telephone: 011 1121700/1/2/3  
Mobile: +254 794 582 700  
Email: info@pcf.go.ke  
Website: www.pcf.go.ke

**h) Scheme Bankers**

Co-operative Bank of Kenya  
Upper Hill  
P.O Box 48231-00100  
Nairobi Kenya  
  
KCB Bank Limited  
Capitol Hill  
P.O. Box 30081-00100  
Nairobi, Kenya



**i) Independent Auditor**

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

**j) Principal Legal Adviser**

The Attorney General  
State Law Office and Department of Justice  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

**3.0 PCF Board of Trustees**

 <p><b>Hon. Simon Mbugua</b> <b>Chairperson Board of Trustees</b></p>	<p>Hon. Simon Mbugua was appointed as the Chairman of Policyholders Compensation Fund (PCF) on 19th May 2023.</p> <p>Prior to the current appointment Hon. Mbugua was a Member of Parliament at the 4th Assembly of East Africa Legislative Assembly (EALA) in Arusha Tanzania where he served in the Committee of Accounts and the Legal Rules and Privileges Committee. Further, he was Chairman of all Members of Parliament at EALA representing Kenya and the Vice-President at the EALA Assembly.</p> <p>Hon. Mbugua is an astute Legislator with vast experience in legislation and oversight role having served as a Member of the National Assembly for Kamukunji Constituency in the 10th Parliament in the Republic of Kenya, where he was a member of various house committees. Hon. Mbugua brings on board a wealth of experience of over 20 years in leadership and management, having served in both the public and the private sector.</p>
 <p><b>Mr. Godfrey Kiptum, MBS</b> <b>Trustee</b></p>	<p>Mr. Godfrey Kiptum, MBS is the Commissioner of Insurance and Chief Executive Officer of the Insurance Regulatory Authority. He has a wealth of experience garnered from senior management roles held in various State Agencies over the last 20 years. He is an Associate of the Life Management Institute (ALMI) of USA and a member of the Chartered Insurance Institute of UK.</p> <p>He serves as a member in both the Technical &amp; Policy Committee and the Audit &amp; Risk Committee of the Board.</p>



**Dr. Ben Kajwang, MBS  
Trustee**

Dr. Ben Kajwang, MBS was appointed effective 21<sup>st</sup> February 2022 to represent insurance brokers. He is the Director and Chief Executive officer of the College of Insurance and a Board member of the Africa Insurance Organization (AIO) Foundation.

He is also the immediate former President of African Insurance Organisation (AIO) and an Executive Board Member and Chairman of the Human Resource Committee of the Organization of East and Southern African Insurers (OESAI). He has had a distinguished career in the insurance industry spanning over two decades where he has held senior positions in Broking, Insurance and Reinsurance Companies.

He serves as the Chairperson of the Technical & Policy Committee and a member of the Finance & Administration Committee of the Board.



**Mr. Thomas Gichuhi  
Trustee**

Mr. Thomas Gichuhi was appointed effective 21<sup>st</sup> February 2022 to represent insurers. He is the Executive Director at Association of Kenya Insurers (AKI).

He serves as a Chairperson of the Audit & Risk committee and a member in the Technical & Policy committee of the Board.



**Mr. Deberious Sikuku  
Trustee**

Mr. Deberious Sikuku Wafula was appointed as an Independent Trustee representing the public on 18<sup>th</sup> May 2023.

He is a businessman and an entrepreneur in the transport and logistics sector. He has vast experience in public policy and administration as well as peace and conflict resolution. He has held various key positions among them being the Chairman of the African Sports and Talents Empowerment Program, a Non-Governmental Organization amongst others. His areas of interest are centred on good governance and policy formulation.

He serves in the Finance & Administration Committee as the Chairperson and as a member in the Technical & Policy Committee of the Board.



**Ms. Janet W. Kung'u HSC  
Trustee**

Ms. Janet W. Kung'u, HSC was appointed as the representative of the Hon. Attorney General to the Board of Trustees on 12<sup>th</sup> June 2023. She is a Deputy Chief State Counsel at the Office of the Attorney General & Department of Justice (OAG & DOJ), Acting as the Head of County Legal Services coordinating the thirteen County/Regional offices for the OAG&DOJ.

Ms. Kung'u is an accomplished Private and Public Sector Advocate with 17 years legal experience in Civil Litigation and management.

She serves as a member in both Finance & Administration Committee and the Audit & Risk Committee of the Board.



**Mr. Protus Sigei, EBS  
Trustee**

Mr. Protus Sigei, EBS was appointed to the Board of Trustees on 9th April 2025 as the alternate representative of the Cabinet Secretary, National Treasury & Economic Planning

He has built his career largely within the public sector in Kenya where he has worked with the National Treasury and Economic Planning in various capacities over the years. He is currently based in the National Treasury's Department of Government Investments and Public Enterprises – this being the Department that is responsible for the portfolio of Kenya's investments in state corporations.

Courtesy of the National Treasury, he has served in the boards of directors of several entities linked to the Government of Kenya – such as KCB (both in Kenya and Uganda), Kenya Reinsurance Corporation, Kenya Broadcasting Corporation (KBC), Competition Authority of Kenya and Kenya National Highways Authority (KeNHA) – during which he has served in various board committees and chaired the HR and Credit Committees.

He is a member of the Society for Benefit-Cost Analysis (SBCA), a professional society of academics and practitioners, headquartered at the University of Washington at Seattle, USA. He is also a Graduate of the Australian Institute of Company Directors (GAICD).

He holds a B.A (Hons) degree in Economics (with Mathematics) from the University of Nairobi and a Master of Science from the University of York, U.K. He is also an alumnus of Queen's University, Canada (Program on Investment Appraisal and Risk Analysis), and INSEAD (Competitive Strategy).



**Mr. Joseph Waruiru  
Trustee**

Mr. Joseph Waruiru served in the Board of Trustees from 29th June 2023 to 9th April 2025 as the alternate representative of the Cabinet Secretary, National Treasury & Economic Planning.

He is a Certified Public Accountant and currently works at the National Treasury and Economic Planning, Government Investment Public Enterprise Department. He has over 12 years' experience in Auditing and Finance in the Public Service.



He served as a member in both the Finance & Administration Committee and the Audit & Risk Committee of the Board.



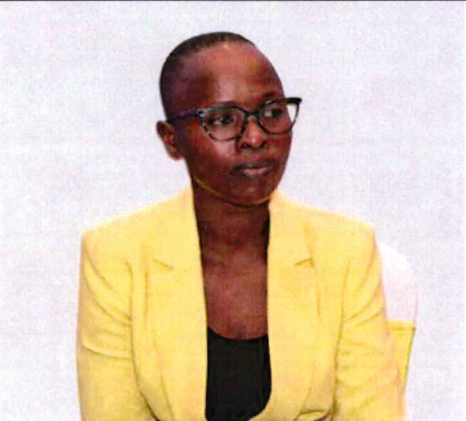


**Mr. Mohamed Sahal  
Managing Trustee**

Mr. Mohamed Sahal is the Managing Trustee and Secretary to the Board of Trustees. He was appointed on 27<sup>th</sup> December 2023. He is a seasoned professional with a vast wealth of experience of over 15 years from both private and public sectors in various fields such as administration, corporate finance and planning, economics, health, project management among others.

**4.0 PCF Car Loans and Staff Mortgage Schemes Administration Committee Team**

Name	
 <p><b>Mr. Mohamed A. Sahal</b> Managing Trustee/Accounting Officer</p>	<p>Mr. Mohamed Sahal was appointed on 27th December 2023 as the Managing Trustee of the Fund. He holds a Master of Arts (Project Planning and Management) and a Bachelor of Business Management. He is a member of the Institute of Human Resource Management (IHRM) and Kenya Association of Project Managers.</p>
 <p><b>Mr. James Njogu</b> Committee Chairperson</p>	<p>CS James Njogu holds a Bachelor of Laws (LLB) Hons. Degree, a Post Graduate Diploma in Legal Practice from the Kenya School of Law, Master of Laws (LLM) in Women's Law and Human Rights, Master of Laws (LLM) in International Corporate Governance &amp; Financial Regulation. He is an Advocate of the High Court of Kenya, Commissioner for Oaths, Notary Public as well as a member of the Institute of Certified Secretaries of Kenya. Further, he is a member of the Chartered Institute of Arbitrators in London and Kenya and the Institute of Directors (Kenya).</p>

 <p><b>Mr. Moses Kiptoon Committee Member</b></p>	<p>Mr. Moses Kiptoon holds a Master's Degree in Actuarial Management and a Bachelor's Degree in Actuarial Science. He is also an Associate of the Actuarial Society of Kenya, a member of the Institute and Faculty of Actuaries (UK).</p>
 <p><b>Mr. Bernard Rotich Committee Member</b></p>	<p>Mr. Bernard Rotich holds a Master of Science in Information Science &amp; Technology, a Bachelor of Science in Applied Business Computing and a Higher Diploma in Integrated Management Information Systems. He is a member of the Computer Society of Kenya (CSK). He exited the Fund from 10th March 2025.</p>
 <p><b>Ms. Hilda Sang Committee Member/Secretary</b></p>	<p>Ms. Hilda Sang' holds a Master of Science in Human Resource Management, a Bachelor of Arts in Community Development and a Higher Diploma in Human Resource Management. She is a member of the Institute of Human Resource Management (IHRM) and a Certified Human Resource Professional of Kenya (CHRPK).</p>



**Ms. Christine Ruoro  
Scheme Accountant**

Ms. Christine holds a Master of Science Finance Investments, Bachelor of Commerce Accounting, Certified Public Accountant and Certified Information Systems Auditor. She is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and Association of Women Accountants of Kenya (AWAK).

## **5.0 PCF Board of Trustees Chairman Report**

I am pleased to present the Annual Report and Financial Statements for the Car Loan and Mortgage Scheme for the year ended 30<sup>th</sup> June 2025, in compliance with the requirements of the Public Finance Management (PFM) Regulations, 2015.

The Scheme was established to enable staff to access loans at concessionary rates, thereby attracting, motivating, and retaining talent. It supports staff in acquiring decent housing in line with the Government's Affordable Housing Agenda, as well as vehicles for personal use. The Scheme is governed by the Salaries and Remuneration Commission Circular No. SRC/ADM/CIR/1/13 Vol. III (128) of 17<sup>th</sup> December 2014, the PCF Human Resource Policy & Procedures Manual (2021), and the Staff Car Loan and Mortgage Policies.

Since its inception in November 2022, loan uptake by staff has steadily increased. By the close of the financial year, the Scheme had cumulatively processed and disbursed Kshs. 26,776,617 in car loans and Kshs. 134,873,388 in mortgage loans. The Scheme has also benefited from interest income generated from the investment of unutilized funds held by the Scheme Administrators, further contributing to its growth. As at 30<sup>th</sup> June 2025, the total Scheme value stood at Kshs. 195,106,954, up from the initial seed capital of Kshs. 183 million – representing a 7% growth.

During the year, the Scheme recorded notable achievements. Enhanced collaboration between the Committee and the Administrators significantly improved the turnaround time for loan processing and disbursement, enabling staff to enjoy faster and more efficient services.

The success of the Scheme is the result of a collective effort by key stakeholders. We extend our sincere appreciation to the Board of Trustees for ensuring adequate funding, the Managing Trustee for providing strategic direction, the Scheme Committee and Administrators for their operational expertise, and the staff for their enthusiastic participation and active utilization of the Scheme. On behalf of the Committee, I thank everyone involved and look forward to your continued support in the coming years.



Hon. Simon Mbugua  
**CHAIRMAN, BOARD OF TRUSTEES**

## **6.0 Report of the Managing Trustee**

It is my pleasure to present the Annual Report and Financial Statements of the PCF staff Car Loan and Mortgage Scheme for the year ended 30<sup>th</sup> June 2025. The Scheme was established with the objective of facilitating staff to access loans at concessionary rates thereby attracting, motivating and retaining talent, enabling them own decent houses in line with the Government's agenda on affordable house ownership and acquire vehicles for personal use.

The operationalization of the scheme took effect from November 2022, and the Fund appointed the Cooperative Bank of Kenya and Kenya Commercial Bank as administrators for the staff mortgage and car loan facilities respectively. The administrators are responsible for among others, operating designated bank accounts for the Scheme, managing end to end processing of loans on behalf of the Fund as well as preparing a monthly status report.

To ensure seamless operations and liaison between the administrators and the Fund, there is an established Scheme administration committee that is responsible for among others overseeing the day-to-day management of the scheme, member education/sensitization, monitoring the performance, as well as advising the Managing Trustee on issues relating to the scheme.

Marking its third year of successful operations, the scheme achieved significant milestones. We are proud to report the disbursement of new loans totalling KShs. 55,745,872 during the year. This includes facilitating car ownership for six staff members with loans amounting to KShs. 9,245,872, and supporting five staff members on their journey to home ownership with mortgage loans valued at KShs. 46,500,000. Cumulatively, total car loans processed amount to Kshs. 26,776,617 and mortgage loans processed total Kshs. 134,873,388. This performance translates to 84% and 89% of initial seed capital for the Car and mortgage loans respectively.

To ensure the scheme's sustainability, administrators are mandated to invest unutilized funds. Both the investment returns and the principal repayments from borrowers are reinvested thus expanding the funds available for future lending. Cumulatively, principal repayments total Kshs. 4,613,129.08 for Car Loan and Kshs. 11,425,502.55 for the Mortgage Scheme. Additionally, the registered interest income during the financial year was Kshs. 911,417 and Kshs. 2,371,041 for the Car and mortgage loans respectively.

The Scheme is established and operates within stipulated government regulations and guidelines. The Fund ensures prudent financial management and reporting in line with Public Finance Management (PFM) Act 2012, Government financial regulations, 2015 and

*Car Loan and Mortgage Scheme  
Policyholders Compensation Fund  
Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2025*

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International Public Sector Accounting Standards (IPSAS). In this regard, PCF hereby presents the Financial Statements of the Staff Car & Mortgage Loan Scheme for the year ended 30<sup>th</sup> June 2025. The Financial statements presented comprise of the Statement of Financial Performance, Statement of Financial Position, Statement of Changes in Net Assets, Statement of Cash Flows and Statement of Budget comparison.

On behalf of the Scheme Administration Committee, I sincerely thank the Board of Trustees, management team and staff for their cooperation and support in operationalization of the scheme during the FY2024/2025.



Mohamed A. Sahal  
**MANAGING TRUSTEE**

**7.0 Statement of Performance against Predetermined Objectives**

The Fund in its Strategic Plan 2020-2025 endeavours to strengthen institutional capacity attracting, development, and retention of competent staff. The establishment and operationalization of the Staff Car Loan and Mortgage Scheme is a key achievement and boost towards enhanced staff welfare.

The table below provides the progress made by the Scheme.

<b>Key Result Area</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
Strengthen Institutional capacity	Enhance service delivery	Percentage employee satisfaction index	Staff welfare - Loans processing and disbursement	Eleven loan applications were successfully processed during the financial year.

## **8.0 Corporate Governance Statement**

The PCF's governance structure is led by the Board of Trustees, responsible for strategic oversight and policy issues. The BoT is responsible for approval of policies and funding in relation to Car Loan & Mortgage Scheme administration in line with legal and regulatory requirements. The Managing Trustee, who handles daily operations, is responsible for appointing the Scheme Administration Committee, executing service agreements, and submitting quarterly scheme reports to the Board for review.

The Scheme Administration Committee comprises five (5) members drawn from different departments of the Fund and appointed by the Managing Trustee with the following roles and responsibilities.

- i) Oversee the management of the Fund's Car Loan and Mortgage scheme.
- ii) Negotiate with the Administrator (bank) and recommend to the Managing Trustee the interest rates applicable to unutilized monies in the scheme.
- iii) Monitor and evaluate the performance of the scheme and prepare quarterly reports on the same to the Managing Trustee for decision making.
- iv) Cause to be kept proper books and records of accounts of the Car Loan and Mortgage scheme.
- v) Recommend to the Managing Trustee on any updates of the Fund's Car Loan and Mortgage scheme policy in view of any policy gaps or improvements in line with any changes in Government Regulations, Guidelines and best practice.
- vi) Perform any other functions that are ancillary to the objects and purpose for which the subject scheme is established.

During the financial year, the committee held four meetings for the Car Loan and Mortgage scheme. The attendance of the members was as follows.

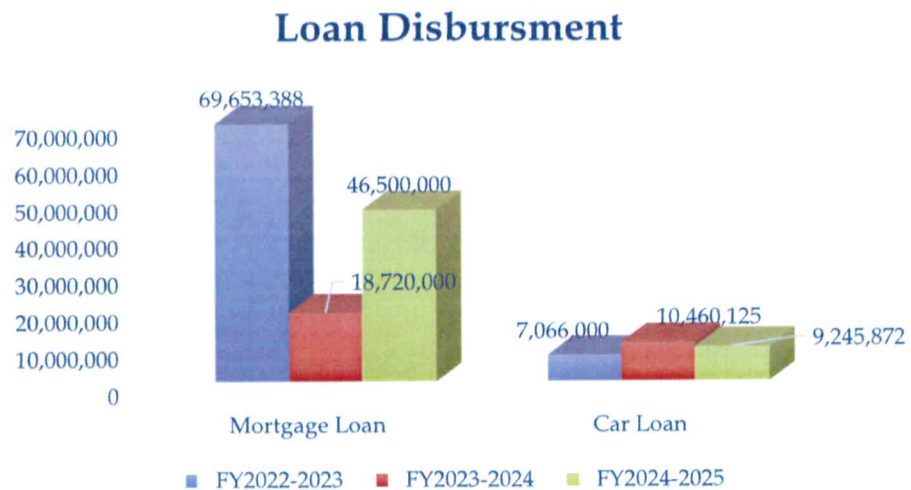
<b>Name</b>	<b>No. of Meetings for Car Loan</b>	<b>Attendance</b>	<b>No. of Meetings for Mortgage</b>	<b>Attendance</b>
Mr. James Njogu	4	4	4	4
Mr. Moses Kiptoon	4	4	4	4
Mr. Bernard Rotich	4	3	4	3
Ms. Hilda Sang	4	4	4	4
Ms. Christine Ruoro	4	4	4	4

## 9.0 Management Discussion and Analysis

The PCF Car Loan and Mortgage Scheme was operationalized in FY2022-2023 with a capital of KShs. 32,000,000 for the Car loan scheme and KShs. 151,000,000 for the mortgage scheme. The loan uptake by staff has grown steadily during the three (3) years of the scheme operations. Below is an analysis of car loans and mortgages processed since inception.

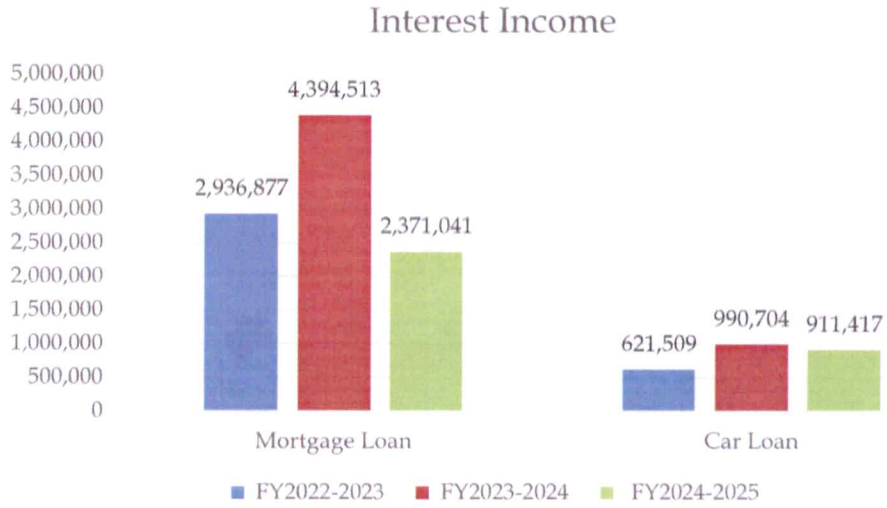
The loan disbursement for the years is as depicted in *figure 1*.

*Figure 1. Loan Disbursement*



The interest income earned on unutilized funds over the three years is as depicted in figure 2.

Figure 2. Interest Income



## **10.0 Environmental and Sustainability Reporting**

### **i) Sustainability Strategy and Profile**

The Car Loan and Mortgage Scheme is committed to long-term financial sustainability to ensure continued access to affordable credit facilities for staff of the Policyholders Compensation Fund. The Scheme's strategy focuses on prudent fund management, including maintaining a healthy balance between loan disbursements and investment of unutilized funds to generate interest income that supports growth.

### **ii) Environmental Performance**

The Car Loan and Mortgage Scheme recognizes its role in supporting environmentally responsible practices in line with the PCF's commitment to sustainability. While its primary mandate is to provide affordable financing for staff, the Scheme encourages the adoption of energy-efficient and environmentally friendly choices in housing and vehicle acquisition. This includes promoting the purchase of fuel-efficient or low-emission vehicles, as well as supporting mortgage applicants who incorporate sustainable building materials and energy-saving technologies in their homes.

### **iii) Employee Welfare**

PCF staff benefit from a comprehensive welfare framework that supports their physical, mental, and professional well-being. The Fund provides access to medical insurance, training opportunities, and performance-based incentives. Employees are also involved in sustainability training and awareness programs, ensuring that they understand and can effectively communicate the environmental and social aspects of sustainable housing finance.

### **iv) Marketplace Practices**

- a) **Responsible Competition Practice:** The Scheme fosters fair competition by ensuring transparency in eligibility criteria, and loan application procedures.
- b) **Responsible Supply Chain and Supplier Management:** The scheme works with local institutions as administrators who engage partners and service providers and professionals who support staff in the loan processes.
- c) **Responsible Engagement with Citizens:** The scheme maintains an open and transparent communication policy with staff. It provides regular education on financial literacy, sustainable home ownership, and debt management through sensitization forums.

d) **Product Stewardship and Awareness Creation:** The Scheme continuously engages in awareness creation on sustainable housing.

e) **Corporate Social Responsibility (CSR) and Community Engagements**

Staff participate in corporate social responsibility forums organized by the Fund in collaboration with communities and sector stakeholders contributing towards socio-economic development.

## **11.0 Report of the Scheme Administration Committee**

The PCF staff Car Loan & Mortgage Scheme administration Committee submit their report together with the financial statements for the year ended June 30, 2025, which show the state of the Scheme's affairs.

### **Principal activities**

The principal activities of the Scheme are to issue car loan and mortgages to qualifying staff of PCF.

### **Performance**

The performance of the Scheme for the year ended June 30, 2025, is set out in pages 1 to 19.

### **Scheme Administration Committee**

The members of the Scheme Administration Committee who served during the year are shown on page xiv.

### **Auditors**

The Auditor-General is responsible for the statutory audit of the Scheme in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Scheme Administration Committee



.....  
Mr. James Njogu

**CHAIRPERSON, SCHEME ADMINISTRATION COMMITTEE**

## **12.0 Statement of Management's Responsibilities**

Section 84 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a Fund shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2025.

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 fund,
- (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 Fund.
- (v) Selecting and applying appropriate accounting policies, and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Administrator of the Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2025, and of the Fund's financial position as at that date.

The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control. In preparing the financial statements, the Administrator of the Fund has assessed the Fund's ability to continue as a going concern. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Fund's financial statements were approved by the Board on ...29/08/2025...and sign on its behalf by:



.....  
Mohamed A. Sahal  
Managing Trustee



.....  
Hon. Simon Mbugua  
Chairman, Board of Trustees

# REPUBLIC OF KENYA

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

## REPORT OF THE AUDITOR-GENERAL ON POLICYHOLDERS COMPENSATION FUND CAR AND MORTGAGE LOAN SCHEME FOR THE YEAR ENDED 30 JUNE, 2025

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### PREAMBLE

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

- A. Report on 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 the 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; and,
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, 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 is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities 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

#### Opinion

I have audited the accompanying financial statements of Policyholders Compensation Fund Car and Mortgage Loan Scheme set out on pages 1 to 19, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, 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, the financial statements present fairly, in all material respects, the financial position of Policyholders Compensation Fund Car and Mortgage Loan Scheme as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Policyholders Compensation Fund Car and Mortgage Loan Scheme 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 opinion.

### **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 Information**

The Management is responsible for the Other Information set out on page v to xxviii which comprise of Key Scheme Information and Management, The Board of Trustees, The Scheme's Administration Committee, Chairman's Report, Report of the Managing Trustee, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Scheme Administration Committee and Statement the Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Scheme's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that nothing 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**

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 governance were not effective.

### **Basis for Conclusion**

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

### **Responsibilities of the Management and Board of Trustees**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) 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 statements, Management is responsible for assessing the Scheme'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 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 comply with the authorities which govern them and that public resources are applied in an effective way.

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

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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1) (a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**


**18 November, 2025**


14.0 Statement of Financial Performance for the Year Ended 30<sup>th</sup> June 2025

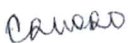
	Note	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
<b>Revenue from exchange transactions</b>			
Interest income earned from deposits	19.7	3,282,459	5,385,217
Interest income earned from loan disbursement	19.8	3,811,897	2,400,883
<b>Total revenue</b>		<b>7,094,356</b>	<b>7,786,100</b>
<b>Expenses</b>			
Finance costs - Interest expensed as administration cost	19.9	(3,811,897)	(2,400,883)
Finance costs - Bank charges	19.9	(705)	(2,135)
<b>Total expenses</b>		<b>(3,812,602)</b>	<b>(2,403,018)</b>
<b>Other gains/losses</b>			
<b>Surplus/(deficit) before tax</b>		<b>3,281,754</b>	<b>5,383,082</b>
<b>Taxation</b>	19.10	(116,268)	-
<b>Surplus/ (Deficit) for the period</b>		<b>3,165,486</b>	<b>5,383,082</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

The Fund financial statements were approved on 19/06/2025 and signed by:

  
 .....  
 Hon. Simon Mbugua  
 Chairman, Board of Trustees

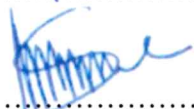
  
 .....  
 Mr. Mohamed Sahal  
 Managing Trustee

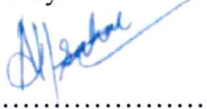
  
 .....  
 Christine Ruoro  
 Scheme Accountant  
 ICPAK No.16433


15.0 Statement of Financial Position as at 30<sup>th</sup> June 2025

	Note	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	19.11	49,494,019	90,502,478
<b>Total Current Assets</b>		<b>49,494,019</b>	<b>90,502,478</b>
<b>Non-current assets</b>			
Receivables from exchange transactions	19.12	145,612,935	101,438,990
<b>Total Non-Current Assets</b>		<b>145,612,935</b>	<b>101,438,990</b>
<b>Total assets</b>		<b>195,106,954</b>	<b>191,941,468</b>
<b>Liabilities</b>		-	-
Trade and other payables		-	-
<b>Total Current Liabilities</b>		-	-
<b>Total liabilities</b>			
<b>Net assets</b>		<b>195,106,954</b>	<b>191,941,468</b>
Car loan revolving fund	19.5	32,000,000	32,000,000
Mortgage revolving fund	19.5	151,000,000	151,000,000
Accumulated surplus ( <i>Reserves</i> )		12,106,954	8,941,468
<b>Total net assets and liabilities</b>		<b>195,106,954</b>	<b>191,941,468</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund financial statements were approved on 10/11/2025 and signed by:

  
 .....  
 Hon. Simon Mbugua  
 Chairman, Board of Trustees

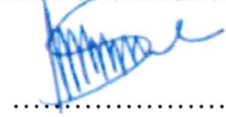
  
 .....  
 Mr. Mohamed Sahal  
 Managing Trustee

  
 .....  
 Christine Ruoro  
 Scheme Accountant  
 ICPAK No.16433

16.0 Statement Of Changes in Net Assets for the Year Ended 30<sup>th</sup> June 2025

	Note	Mortgage Fund	Car Loan Fund	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.	Kshs.
Balance as at 1 July 2023		151,000,000	32,000,000	3,558,386	186,558,386
Surplus/ (deficit) for the period		-	-	5,383,082	5,383,082
Funds received during the year		-	-	-	0.00
Interest capitalized		-	-	-	0.00
Transfers		-	-	-	0.00
As at 30 June 2024	19.16	151,000,000	32,000,000	8,941,468	191,941,468
Balance as at 1 July 2024		151,000,000	32,000,000	8,941,468	191,941,468
Surplus/ (deficit) for the period		-	-	3,165,486	3,165,486
Funds received during the year		-	-	-	0.00
Interest capitalized		-	-	-	0.00
Transfers		-	-	-	0.00
As at 30 June 2025	19.16	151,000,000	32,000,000	12,106,954	195,106,954

The Fund financial statements were approved on 10/11/2025 and signed by:



.....  
Hon. Simon Mbugua  
Chairman, Board of Trustees



.....  
Mr. Mohamed Sahal  
Managing Trustee



.....  
Christine Ruoro  
Scheme Accountant  
ICPAK No.16433

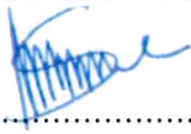
**17.0 Statement of Cash Flows for the Year Ended 30<sup>th</sup> June 2025**

	Note	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Interest income earned from deposit	19.7a	3,428,883	8,018,311
Interest income earned from loan disbursement	19.8	3,811,897	2,400,883
<b>Total receipts</b>		<b>7,240,780</b>	<b>10,419,194</b>
<b>Payments</b>			
Finance cost	19.9	3,812,602	2,403,018
Taxation	19.10	116,268	
<b>Total payments</b>		<b>3,928,870</b>	<b>2,403,018</b>
<b>Net cash flow from operating activities</b>	19.13	<b>3,311,910</b>	<b>8,016,176</b>
<b>Cash flows from investing activities</b>			
Loan disbursements paid out	19.14	(55,745,872)	(29,184,745)
Proceeds from loan principal repayments	19.15	11,425,503	4,613,129
<b>Net cash flows used in investing activities</b>		<b>(44,320,369)</b>	<b>(24,571,616)</b>
<b>Cash flows from financing activities</b>			
Receipts into the mortgage revolving fund		-	-
Receipts into the car loan revolving fund		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(41,008,459)</b>	<b>(16,555,440)</b>
Cash and cash equivalents at 1 July 2024		90,502,478	107,057,918
<b>Cash and cash equivalents at 30 June 2025</b>	19.11	<b>49,494,019</b>	<b>90,502,478</b>

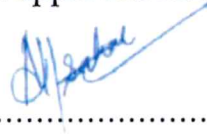
*Car Loan and Mortgage Scheme  
Policyholders Compensation Fund  
Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2025*

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The Fund financial statements were approved on .....10/11/2025.....and signed by:



.....  
Hon. Simon Mbugua  
**Chairman, Board of  
Trustees**



.....  
Mr. Mohamed Sahal  
**Managing Trustee**

Canero

.....  
Christine Ruoro  
**Scheme Accountant  
ICPAK No.16433**

18.0 Statement of Comparison of Budget and Actual Amounts for the Year Ended 30<sup>th</sup> June 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	A	b	C=(a+b)	d	e=(c-d)	F=d/c
<b>Revenue</b>						
Transfers from Parent Ministry/ SC/SAGA	0.00	0.00	0.00	0.00	0.00	-
Interest income	7,100,000	0.00	7,100,000	7,094,356	5,644	100%
<b>Total Revenue</b>	<b>7,100,000</b>	<b>0.00</b>	<b>7,100,000</b>	<b>7,094,356</b>	<b>5,644</b>	<b>100%</b>
<b>Expenses</b>						
Finance cost	3,852,500	0.00	3,852,500	3,812,602	39,898	99%
Tax	150,000	0.00	150,000	116,268	33,732	78%
<b>Total Expenditure</b>	<b>4,002,500</b>	<b>0.00</b>	<b>4,002,500</b>	<b>3,928,870</b>	<b>73,630</b>	<b>98%</b>
<b>Surplus for the period</b>	<b>3,097,500</b>	<b>0.00</b>	<b>3,097,500</b>	<b>3,165,486</b>	<b>(67,986)</b>	<b>102%</b>

## **19.0 Notes to the Financial Statements**

### **19.1 General Information**

PCF Staff Car/mortgage loan Scheme is established pursuant to the SRC circular SRC/ADM/CIR/1/13 Vol. III (128) of 17<sup>th</sup> December 2014 and derives its authority and accountability from PFM Act, 2012. The Scheme is wholly owned by the Government of Kenya and is domiciled in Kenya. The Scheme's principal activity is to provide car and mortgage loans to qualifying staff of PCF.

### **19.2 Statement of Compliance and Basis of Preparation**

The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Fund's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the scheme. The financial statements have been prepared in accordance with the PFM Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

### **19.3 Adoption of New and Revised Standards**

There new/amended standards are not applicable for the financial year ended.

### **19.4 Significant Accounting Policies**

#### **a. Revenue recognition**

##### **i) Revenue from non-exchange transactions**

##### **Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Fund and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

**ii) Revenue from exchange transactions**

**Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income for each period.

**b. Budget information**

The scheme is funded from KShs. 128,000,000 seed capital approved on 30<sup>th</sup> June 2022 in the original budget for FY 2022/23. Subsequent additional funding of KShs. 55,000,000 was approved via budget revision on 2<sup>nd</sup> June 2023. There was no budgetary allocation for additional capital in the financial years 2023/24 and 2024/2025. The operational budget of the scheme for the current financial year was approved in January 2025. 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.

**c. Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

## **I. Financial assets**

### **Classification of financial assets**

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

### **Subsequent measurement**

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

### **Amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

### **Fair value through net assets/ equity**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of

impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through surplus or deficit**

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

**Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables 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.

**Impairment**

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in Notes.

**II. Financial liabilities**

**Classification**

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

**d. Contingent liabilities**

The Fund does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

**e. Contingent assets**

The Fund does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund in the notes to the

financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**f. Nature and purpose of reserves**

The Fund creates and maintains reserves in terms of specific requirements. *(Fund to state the reserves maintained and appropriate policies adopted).*

**g. Changes in accounting policies and estimates**

The Fund recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

**h. Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**i. Related parties**

The Fund regards a related party as a person or entity with the ability to exert control individually or jointly, or to exercise significant influence over the Fund, or vice versa. Members of key management are regarded as related parties and comprise the Directors/ Trustee, the Fund Managers, and Fund Accountant.

**j. 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 Kenya Commercial Bank of and the Cooperative Bank of Kenya at the end of the financial year.

**k. Comparative figures**

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

**l. Events after the reporting period**

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

**m. Ultimate and Holding Fund**

The Scheme is established pursuant to the SRC circular SRC/ADM/CIR/1/13 Vol. III (128) of 17<sup>th</sup> December 2014. It is wholly owned by Policyholders Compensation Fund, whose ultimate parent is the Government of Kenya.

**n. Currency**

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

**19.5 Significant judgments and sources of estimation uncertainty**

The preparation of the Fund's financial statements in conformity with IPSAS 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.

**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. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur. (*IPSAS 1.140.*)

**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:

- i) The condition of the asset is based on the assessment of experts employed by the Fund
- ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- iii) The nature of the processes in which the asset is deployed
- iv) Availability of funding to replace the asset
- v) Changes in the market in relation to the asset

**19.6 Receipts into the revolving mortgage and car loan schemes**

There were no transfers of capital from PCF in the financial year.

**19.7 Interest income earned from deposits**

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Interest income earned from deposits with KCB (Car loan account)	911,417	990,704
Interest income earned from deposits with Cooperative Bank (Mortgage loan account)	2,371,041	4,394,513
<b>Total income earned from deposits</b>	<b>3,282,459</b>	<b>5,385,217</b>
<b>19.7 (a) Interest Income from deposits</b>		
	<b>FY 2024/2025</b>	<b>FY 2023/2024</b>
	<b>Kshs.</b>	<b>Kshs.</b>
<b>Total income earned from deposits</b>	<b>3,282,459</b>	<b>5,385,217</b>
Increase in receivable (KCB)	(1,562)	2,781,080
Reduction in receivable (KCB)	147,986	(147,986)
<b>Total income earned from deposits (Cashflow Statement)</b>	<b>3,428,883</b>	<b>8,018,311</b>

**19.8 Interest income earned from loan disbursement**

	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Interest income earned from Car loan disbursement	477,470	385,898

PCF Staff Car loan/Mortgage Scheme  
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Interest income earned from Mortgage loan disbursement	3,334,427	2,014,985
<b>Total Interest Income from disbursements</b>	<b>3,811,897</b>	<b>2,400,883</b>

#### 19.9 Finance costs

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Interest expensed as administration cost (KCB)	477,470	385,898
Interest expensed as administration cost (Cooperative Bank)	3,334,427	2,014,985
<b>Total interest expensed as administration cost</b>	<b>3,811,897</b>	<b>2,400,883</b>
Bank Charges	705	2,135
<b>Total Finance Cost</b>	<b>3,812,602</b>	<b>2,403,018</b>

#### 19.10 Tax

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Tax on interest income	116,268	-
<b>Income Tax Expense</b>	<b>116,268</b>	<b>-</b>

#### 19.11 Cash and cash equivalents

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Car Loan account	1,000	148,340
Mortgage Account	34,606,715	72,239,944
Fixed Deposits Account	-	-
On - Call Deposits	14,886,304	18,114,194
Current Account	-	-
Others ( <i>Specify</i> )	-	-
<b>Total Cash and Cash equivalents</b>	<b>49,494,019</b>	<b>90,502,478</b>

**19.12 Receivables from exchange transactions**

Description	FY 2024/2025		FY 2023/2024	
	Kshs.		Kshs.	
<b>Non - Current Receivables</b>				
Car loan balances - KCB	19,143,288		14,505,258	
Mortgage loan balances - Cooperative Bank	123,926,113		85,077,658	
Loans amount sanctioned but not disbursed	1,489,187		-	
Principal mortgage loan recoveries receivable	563,440		1,013,559	
Principal Car Loan recoveries receivable	489,346		694,529	
Other Receivables*	1,562		147,986	
<b>Total Receivables</b>	<b>145,612,935</b>		<b>101,438,990</b>	
Ageing analysis (receivable from exchange transactions)	FY 2024/2025	%of total	FY 2023/2024	%of total
Less than 1 year	53,956,645	37%	28,869,948	28%
Between 1-2 years	23,491,656	16%	72,569,042	72%
Between 2-3 years	68,164,634	47%	0.00	0%
Over 3 years	0.00	0%	0.00	0%
<b>Total</b>	<b>145,612,935</b>	<b>100%</b>	<b>101,438,990</b>	<b>100%</b>

**Note**

\*Other receivables represent an erroneous entry posted by KCB account, to be reversed after the end of the financial year.

### 19.13 Net cash flows from operating activities

Description	FY 2024/2025	FY 2023/2024
		Kshs.
<b>Surplus/ (deficit) for the year before tax</b>	<b>3,281,754</b>	<b>5,383,082</b>
<b>Adjusted for:</b>		
Depreciation	0	0
Amortisation	0	0
Gains/ losses on disposal of assets	0	0
Interest income		-
Taxation	(116,268)	0
<b>Working capital adjustments</b>		
Increase in inventory	0	0
Decrease/ (Increase) in receivables- Cooperative	(1,562)	2,781,080
Decrease/ (Increase) in receivables- KCB	147,986	(147,986)
Increase in payables	0	-
<b>Net cash flow from operating activities</b>	<b>3,311,910</b>	<b>8,016,176</b>

### 19.14 Loan Disbursement paid out

	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
<b>Mortgage Loans</b>		
Subtotal Mortgage Loans disbursement	46,500,000	18,720,000
<b>Car Loans</b>		
Subtotal Car Loans disbursement	9,245,872	10,464,745
<b>Total Car and Mortgage Loans disbursement</b>	<b>55,745,872</b>	<b>29,184,745</b>

### 19.15 Proceeds from loan principal repayments

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Principal Recoveries for Mortgage Loans	6,612,477	2,282,171
Principal Recoveries for Car Loans	4,813,026	2,330,958
<b>Total principal recoveries</b>	<b>11,425,503</b>	<b>4,613,129</b>

#### 19.16 Scheme Reserves

The Scheme reserves comprise of initial capital received from PCF and accumulated surpluses arising from income earned on deposits held with the administrators.

	2024-2025	2023-2024
	Kshs.	
As at July 1	191,941,468	186,558,386
Add Surplus for the period	3,165,486	5,383,082
Accumulated Surplus at end of period	195,106,954	191,941,468

#### 19.17 Financial risk management

The Scheme's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Scheme'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 Scheme does not hedge any risks and has in place policies to ensure that credit is only extended to staff who qualify as per the Fund's Car/mortgage loans policy. The Scheme's financial risk management objectives and policies are responsible for the development of detailed risk management policies (*subject to review and approval by the Audit and Risk Management Committee*) and for the day-to-day implementation of those policies. There has been no change to the Fund's exposure to market risks or the manner in which it manages and measures the risk. The following are the major risks facing the schemes.

##### a) Interest rate risk

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

##### b) Management of interest rate risk

To manage the interest rate risk, the committee has endeavoured to bank with institutions that offer favourable negotiated interest rates.

### **19.18 Related party balances**

#### **Nature of related party relationships**

Entities and other parties related to the Scheme include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The fund/scheme is majorly related to the PCF management and staff. The members of the Scheme administration committee are not remunerated under the scheme.

### **19.19 Events after the Reporting Period**

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

### **19.20 Ultimate and Holding Entity**

The Scheme is under the sponsorship of Policyholders Compensation Fund.

### **19.21 Currency**

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest shilling.

**20.0 Annex I: Progress on Follow up of Prior Year Auditor's Recommendations**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No.	Issue / Observations from Auditor	Management comments	Status:	Timeframe
1.	<b>Lack of Approved Budget on Interest:</b> The statement of comparison of budget and actual amounts reflects actual interest on comparable basis of Kshs.8,166,297 and expenses of Kshs.2,135. However, the respective approved budget was not provided for review. Further, Management did not budget for interest income from the funds held in fixed deposits contrary to Regulation 31 (1) of the Public Finance Management (National Government) Regulations, 2015, which requires the Accounting Officer to ensure that the draft estimates are prepared in conformity with the Constitution, the Act, and Regulations. In the circumstances, Management was in breach the law.	The concern was noted and measures taken to correct. The car and mortgage scheme committee prepared a budget in January 2025 for the year 2024/2025 which has since been approved by the Managing Trustee. Moving forward the committee will at the beginning in of every financial year prepare a budget for Scheme.	Resolved	Done



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Mr. Mohamed A. Sahal  
Managing Trustee/Fund Manager/Accounting Officer

Date: 10/11/2025 .....