REPUBLIC OF KENYA

REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA LITERATURE BUREAU MORTGAGE AND CAR LOAN SCHEME

FOR THE YEAR ENDED 30 JUNE, 2025

THE NATIONAL ASSEMBLY
PAPERS LAID
DATE: 24 FEB 2026
DAY. Tuesday
TABLED BY: Deputy Leader Majority Party Hon. Owen Baya, Mp
CLERK-AT THE-TABLE: Mr. Benson Inzofu.

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KENYA LITERATURE BUREAU

MORTGAGE AND CAR LOAN SCHEME

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2025

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

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1. Acronyms and Definitions of Key Terms

1. Acronyms

BOM	Board of Management of KLB
CEO	Chief Executive Officer
DG	Director General
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
KLB	Kenya Literature Bureau
MD	Managing Director
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies

B. Definition of Key Terms

Fiduciary Management - Members of Management directly entrusted with the entity's financial resources.

Comparative Year- Means the prior period.

2. Key Fund information and management

a) Background information

The Kenya Literature Bureau Mortgage and Car Loan Scheme is established pursuant to Salaries and Remuneration Commission Circulars referenced; SRC/ADM/CIR/1/13 Vol. III(128) of 17th December 2014; SRC/ADM/CIR/1/13 VOL III (130) of 29th January, 2015 and SRC/ADM/CIR/1/13 VOL III (142) of 25th August 2015 all of which set and advised on the establishment of Mortgage and Car loan schemes for both state and other public officers. The Fund is wholly owned by the Kenya Literature Bureau and is domiciled in Kenya. The Bureau operationalized the mortgage and car loan scheme through internal guidelines approved in the financial year 2018/2019.

b) Principal Activities

The fund's objective is to provide loan facility for purchase and development of residential houses, and purchase of motor vehicles for personal use by members of the scheme. The Fund's principal activity is to administer a mortgage and car loan scheme for members of staff to access loan facilities for purchase and development of residential houses; and purchase of motor vehicles for personal use. The Fund Administrator oversees the operations of the Fund. The Fund Administration Committee which is charged with the responsibility of processing loans from applicants in accordance with laid down approved regulations, setting up a revolving Fund for the disbursement of loans and supervising the day-to-day operations of the Fund. The key objectives of the Kenya Literature Bureau Mortgage and Car loan fund are to:

i) Provide loan facility for purchase and development of residential houses.
ii) Provide loan facility for purchase of motor vehicles for personal use.
iii) Promote financial sustainability of the Scheme as a revolving fund.

c) Fund Administration Committee

The fund administration committee members who held office during the financial year ended 30th June 2025 were:

Ref	Position	Name
1	Chairman	CPA, FA, Francis Maina Mutunga
2	Vice Chairman	Kenneth Jumba
3	Member	Benard O. Obura
4	Member	CS Sheila Kahuki
5	Secretary	CHRP(K), Roselyn W. Mugavana

d) Key Management

The key management officers who held office during the financial year ended 30th June 2025 and who had direct fiduciary responsibility were:

Ref	Position	Name
1	Fund Administrator/Secretary to the Scheme	CHRP (K), Roselyn W. Mugavana
2	Fund Administration Committee Chairman	CPA, FA, Francis Mutunga
3	Fund Accountant	CPA Benjamin Gachewa

e) Fiduciary Oversight Arrangements

The fiduciary oversight arrangements during the year included:

No.	Fiduciary Oversight Arrangement	Details
1.	Internal Audit Department	The department's role is to provide independent assurance that the schemes' risk management, governance and internal control processes are operating effectively.
1	Board Audit and Risk Committee	The Committee's mandate is to ensure KLB assets are safeguarded and continually evaluate the effectiveness of the internal control system.
2	Board Finance, Human Resources & General-Purpose Committee	The Committee's is to provide guidance to the Board of Management in fulfiling its oversight responsibilities for fiscal planning and control, financial reporting, human resources management, supply chain processes, corporate communications, legal and adminitrative functions of the Bureau.

f) Registered Offices

KLB Head Office,
South C, Bellevue Area, KLB Road off Popo Road,
0711 318 188 | 0732 344 599,
P.O. Box 30022 – 00100,
Nairobi, Kenya.

g) Fund Contacts

Telephone: (254) 6005595, 020 - 3541196/7
(254) 0711 - 318188, 0732 - 344599
E-mail: **info.klb.co.ke**
Website: **www.klb.co.ke**

h) Fund Bankers

Kenya Commercial Bank Limited
Kencom House, Moi Avenue
P.O. Box 30081 – 00100, GPO
Nairobi, Kenya

HF Group Limited
Rehani House-Koinange St.
P.O Box 30088 – 00100,
Nairobi, Kenya

i) Independent Auditors

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. The Fund Administration Committee

Name	Details of qualifications and experience
 **CPA, FA, Francis M. Mutunga** **Chairman – Fund Administration Committee**	Mr. Francis Mutunga (51 years) is the Finance Manager at Kenya Literature Bureau from May 2014. He holds a Bachelor of Commerce degree (First Class Honours), Diploma in Monitoring and Evaluation from Kenyatta University and Diploma in Marketing Management from the Kenya Institute of Management (KIM). He is a Certified Public Accountant CPA (K), Certified Financial Analyst (CIFA-K), Certified Pension Trustee and a Certified ISO 9001:2015 Internal Auditor (KEBS). He is also a member of Certified Public Accountants of Kenya (ICPAK) and the Institute of Certified Investments and Financial Analysts (ICIFA). He is a global Financial and Investment Advisor with GLOBSED, a professional, humanitarian and climate change volunteer network world-wide. He is currently finalizing the project for the award of Master of Business Administration (Finance) degree at Kenyatta University, Certified Pension Trustee and ISO9001:2015 Quality Management System Internal Auditor (KEBS). He is the Performance Contract Co-ordinator. He has been Chairing various Senior Management Sub-committees dealing with various assignments. He was appointed to the position in the Fund Administrative Committee on 1st June 2020.

 **Mr. Kenneth Jumba** **Vice Chairman - Fund Administration Committee**	Mr Kenneth Nyabera Jumba (56 years) is the publishing Manager at Kenya Literature Bureau appointed on 4th September 2017. He is a holder of Master of Philosophy in Geography and Bachelor of Arts degrees, both from Moi University. He also holds a Post-Graduate Diploma in Human Resources Management (KNEC) from the Railway training Institute. He has a wealth of experience in publishing spanning over 20 years during which time he attended various career developmental courses in publishing, management, leadership and good corporate governance. He was appointed to the position in the Fund Administrative Committee on 1st June 2020.
 **CHRP Roselyn W. Mugavana** **Secretary - Fund Administration Committee**	Mrs. Roselyn Mugavana (53 years) is the Human Resources Manager at Kenya Literature Bureau. She holds a Master of Business Administration (Human Resource Management) degree from the University of Nairobi and Bachelor of Education degree (English and Literature) from Egerton University. She is a Certified Human Resources Professional (CHRP, Kenya), Certified Human Resources Practitioner in good standing, Certified Pension Trustee and ISO9001:2015 Quality Management System Internal Auditor (KEBS). Mrs. Mugavana is a member of the Institute for Human Resources Management (IHRM). She was appointed to the position on 17 December 2015.

	Human Resources and Administration, Development of Human Resources Instruments, Budgeting, Human Resources Accounting/Analytics, Organization Development and Change management, Recruitment, Grievance and Discipline management, Pension Management and Corporate Governance. She was appointed to the position in the Fund Administrative Committee on 1st June 2020.
 **Mr. Bernard O. Obura** **Member - Fund Administration Committee**	Mr. Bernard Obura (51 years) is the Manager, Sales and Customer Service. He holds an Executive MBA (Strategic Management) degree from the Jomo Kenyatta University of Agriculture and Technology (JKUAT), and Bachelor of Arts (Mathematics) degree from the University of Nairobi. He also holds a Diploma in Marketing from the MSK-Kenya. He also holds Certificate in Mediation and Certificate in Arbitration both from CIArb He has over 18 years' experience branding and sales and marketing. He was appointed to the position in the Fund Administrative Committee on 1st June 2020.
 **CS Sheila Kahuki** **Member – Fund Administration Committee**	Ms. Sheila Kahuki (54 years) holds a Bachelor of Laws Degree from the University of Nairobi and a Post Graduate Diploma in Law from the Kenya School of Law. She is an Advocate of the High Court of Kenya, Certified Public Secretary and a Certified Pension Trustee. She is a member of the Law Society of Kenya and the Institute of Certified Secretaries. She was appointed to the position in the Fund Administrative Committee on 1st June 2020.

4. Management Team

Name	Details of qualifications and experience
 **CHRP Roselyn W. Mugavana Secretary - Fund Administration Committee**	Mrs. Roselyn Mugavana (53 years) is the Human Resources Manager at Kenya Literature Bureau. She holds a Master of Business Administration (Human Resource Management) degree from the University of Nairobi and Bachelor of Education degree (English and Literature) from Egerton University. She is a Certified Human Resources Professional (CHRP, Kenya), Certified Human Resources Practitioner in good standing, Certified Pension Trustee and ISO9001:2015 Quality Management System Internal Auditor (KEBS). Mrs. Mugavana is a member of the Institute for Human Resources Management (IHRM). She was appointed to the position in the Fund Administrative Committee on 1st June 2020. Human Resources and Administration, Development of Human Resources Instruments, Budgeting, Human Resources Accounting/Analytics, Organization Development and Change management, Recruitment, Grievance and Discipline management, Pension Management and Corporate Governance.
	Mr. Francis Mutunga (51 years) is the Finance Manager. He holds a Bachelor of Commerce degree (First Class Honours), Diploma in Monitoring and Evaluation from Kenyatta University and Diploma in Marketing Management from the Kenya Institute of Management (KIM). He is a Certified Public Accountant CPA (K), Certified Financial Analyst (CIFA-K), Certified Pension Trustee and a Certified ISO 9001:2015 Internal Auditor (KEBS).

 **CPA, FA, Francis M. Mutunga** **Chairman – Fund Administration Committee**	He is also a member of Certified Public Accountants of Kenya (ICPAK) and the Institute of Certified Investments and Financial Analysts (ICIFA). He is a global Financial and Investment Advisor with GLOBSED, a professional, humanitarian and climate change volunteer network world-wide. He is currently finalizing the project for the award of Master of Business Administration (Finance) degree at Kenyatta University, Certified Pension Trustee and ISO9001:2015 Quality Management System Internal Auditor (KEBS). He is the Performance Contract Co-ordinator. He has been Chairing various Senior Management Sub-committees dealing with various assignments. He was appointed to the position in the Fund Administrative Committee on 1st June 2020.
 **CPA Benjamin Gachewa** **Fund Accountant**	Mr. Benjamin Gachewa (39 years) is the Fund Accountant. He holds a Bachelor of Commerce (Accounting) degree from the University of Nairobi and is currently pursuing a Master of Commerce degree at Strathmore University. He is a Certified Public Accountant CPA (K) and a Certified Pension Trustee from College of Insurance/Retirement Benefits Authority. He is also a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and has over 15 years' experience in accounting and finance. He was appointed to the position of Fund Accountant on 1st June 2020.

5. Chairman's Report

It gives me great pleasure to present the Financial Statements for the KLB Mortgage and Car Loan Scheme for the year ended 30th June 2025. On behalf of the Bureau and the Fund, I wish to acknowledge with gratitude the support of the National Treasury in the establishment of this Scheme, which became operational in the 2018/2019 financial year. Its inception was timely and aligned closely with the Government of Kenya's commitment to providing affordable housing, a priority that continues to benefit our staff while advancing the national housing agenda.

The Scheme is overseen by the Fund Administration Committee, comprising members of the Bureau's senior management team, who have ensured prudent and efficient administration.

As at 30th June 2025, the Scheme had received a cumulative allocation of Kshs. 149.85 million, up from Kshs. 142.5 million the previous year. Of this amount, Kshs. 129.85 million was committed to the Mortgage Loan Scheme, while Kshs. 20 million was dedicated to the Car Loan Facility. Staff continue to benefit from competitively low-interest loans at a rate of 4%, of which 3% is remitted to the appointed financial institutions managing the Fund as administrative expenses, and 1% is re-invested into the Scheme.

During the year under review, the Fund generated total interest income of Kshs. 5.84 million, compared to Kshs. 5.45 million in the previous year. The administration expenses amounted to Kshs. 3,672,235 as compared to the previous year of Kshs. 3,455,128. The Fund's taxable income resulted in a tax charge of Kshs. 324,824 as compared to the amount for the previous year of Kshs. 299,177. The Fund closed the year with a balance of Kshs. 162,517,249, reflecting growth from Kshs. 153,327,643 as at 30th June 2024.

The revolving nature of the Scheme continues to ensure sustainability and growth. For the financial year ended 30th June 2025, the Fund realized a surplus before taxation of Kshs. 2,164,430 as compared to Kshs. 1,992,874, realised the previous year.

I take this opportunity to express our sincere appreciation to the Bureau's Board of Management and the Managing Director for their unwavering support in sustaining this initiative through continuous allocation of resources, even within a constrained fiscal environment. I equally commend the Fund Administration Committee for their dedication, commitment, and professionalism, which have made the Scheme a true success and an invaluable benefit to all Bureau employees.

CPA, FA, Francis M. Mutunga
Chairman, Fund Administration Committee

6. Report of the Fund Administrator

I am pleased to present the financial statements for the year ended 30th June 2025, in compliance with Section 84 (2) of the Public Finance Management Act, 2012. The objective of the Bureau's Mortgage and Car loan scheme is to motivate staff by facilitating access to low interest credit facilities to own residential homes and acquire vehicles to facilitate their transport to work. The Bureau has engaged various banks to manage the Fund.

The National Treasury approved the implementation of Mortgage and Car Loan Scheme Policies, in the Financial Year 2018/2019. The scheme is managed as a revolving fund. Staff are charged an interest rate of 4% per annum and the Bureau receives 1% interest of that interest, which is invested back into the fund for growth and sustainability.

The scheme has been active since inception, and the Bureau continues to sensitize and inspire staff on the benefits of owning a home. The uptake has been commendable. The approved scheme fund limits Mortgage Loan Scheme is Kshs. 500 Million, while that of the Car Loan Scheme is Kshs. 50 Million.

As at 30th June 2025, the Scheme had received a cumulative allocation of Kshs. 149.85 million, up from Kshs. 142.5 million the previous year. Of this amount, Kshs. 129.85 million was committed to the Mortgage Loan Scheme, while Kshs. 20 million was dedicated to the Car Loan Facility. Staff continue to benefit from competitively low-interest loans at a rate of 4%, of which 3% is remitted to the appointed financial institutions managing the Fund as administrative expenses, and 1% is re-invested into the Scheme.

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The revolving nature of the Scheme continues to ensure sustainability and growth. For the financial year ended 30th June 2025, the Fund realized a surplus before taxation of Kshs. 2,164,430 as compared to Kshs. 1,992,874, realised the previous year.

Since the inception of the KLB Mortgage and Car Loan Scheme, loan recoveries have steadily grown through staff payroll deductions. To date, a total of Kshs. 63,758,214 has been recovered under the Mortgage Loan Scheme and Kshs. 10,071,972 under the Car Loan Scheme. The Bureau continues to earn annual interest at the rate of 1% on these loans, which is reinvested back into the revolving fund to support its sustainability.

Cumulatively, this has generated Kshs. 9,744,173 under the Mortgage Loan Scheme and Kshs. 2,923,076 under the Car Loan Scheme. Current monthly recoveries stand at Kshs. 1,190,508 for the Mortgage Loan Scheme and Kshs. 64,146 for the Car Loan Scheme, bringing total monthly recoveries to Kshs. 1,254,654.

Strategically, the scheme has achieved its primary objective of enhancing staff attraction, recruitment, and retention, thereby supporting KLB in delivering on its mandate. By providing employees with access to affordable mortgage and car financing, the Bureau has strengthened its capacity to maintain a skilled and motivated workforce.

From a financial perspective, the scheme remains self-sustaining despite the Bureau no longer injecting additional funds due to austerity measures. Growth has been maintained through prudent reinvestment of loan repayments and accrued interest income, ensuring continued access to affordable credit for staff while safeguarding the fund's sustainability.

On matters of governance, the scheme fully complies with the Salaries and Remuneration Commission's circular Ref. SRC/ADM/CIR/I/13 VOL III(130) on Mortgage and Car Loan Schemes for State and other Public Officers, as well as with approvals granted by the National Treasury. This adherence to legal and regulatory requirements underscores the integrity and accountability of the scheme's operations.

In administering the Fund, the scheme administration committee maintained adequate financial management controls to ensure compliance, transparency and accountability. The measures were aimed at making sure that the funds are utilised prudently and included maintenance of proper accounting records. Further, the financial Statement have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) and represents a true and fair view of the state of affairs of the Fund for the period under review. As the Accounting Officer and Fund Administrator, I confirm the completeness of the accounting records maintained for the Fund, which have been relied upon, in the preparation of the financial statements.

Finally, the Fund Administrative Committee, confirms that in preparing the financial statements, it have assessed the Fund's ability to continue as a going concern and nothing has come to its attention to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

CHRP(K), Roselyn Mugavana
Fund Administrator/Secretary

7. Statement Of Performance Against Predetermined Objectives

The KLB Mortgage and Car Loan scheme has been incorporated in the Kenya Literature Bureau Strategic Plan 2020 – 2024, under the Strategic Pillars stated below:

a) Financial Sustainability Pillar.
b) Organizational Development Capacity Development Pillar.

The key objectives of the Kenya Literature Bureau Mortgage and Car loan Schemes are to:

a) Provide loan facility for purchase and development of residential houses.
b) Provide loan facility for purchase of motor vehicles for personal use.
c) Promote financial sustainability of the Scheme as a revolving fund.

Progress on attainment of the fund's objectives

For purposes of implementing and cascading the above fund objectives to specific sectors, all the objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into fund outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement.

The progress on attaining the stated objectives:

Scheme Name	Objective	Outcome	Key Performance Indicators	Performance
Kenya Literature Bureau Mortgage and Car loan Scheme	1. To provide loan facility for purchase and development of residential houses; and purchase of motor vehicles for personal use	Decent housing for staff and ease of movement to and from work.	Number of staff advanced loan to purchase residential houses and cars for personal use	In FY 2024/25 one (1) staff member received a loan for purchase of residential House amounting to Kshs. 10.35 Million, while and one (1) staff received a loan for purchase of

				car worth Kshs. 800,000.
	2. To promote financial sustainability	Sustain the schemes as stable revolving funds	The interest income re-invested in the scheme	During the year Kshs. 5.84 Million was earned in interest income and re-invested into the scheme.

8. Corporate Governance Statement

a) Appointment, process of appointment and removal of Fund Administration Committee members

The process of appointment and removal of the members the Fund Administration Committee is governed by the provisions of the Mortgage and Car loan Schemes and the KLB Human Resources and Procedures Policy and Procedures Manual, 2018 and National Treasury Guidelines issued from time to time.

The appointment emphasizes on the lean size of the committee and takes into account diversity. The Fund Administration Committee has an existing service charter that provides the commitments in the service delivery to the mortgage and car loan customers. The Committee has taken steps to ensure the commitments are fulfilled.

The appointment is made by the Managing Director, Kenya Literature Bureau for a period of three years, renewable.

b) Roles and functions of the Fund Administration Committee members

The terms of reference of the Committee includes:

i) Review application for loans and make decisions upon such applications within the authority delegated to the Committee. All decisions must be based on the established loan policies and in compliance with the applicable local laws and regulations.
ii) Verify all supporting documentation and ensure that they are following requirements of the loan approval.
iii) Ensure that loanees meet eligibility criteria i.e. 1/3 basic salary retained, confirmed in employment, not on notice to resign e.t.c.
iv) Process application for loans within four (4) days in accordance with the existing terms and conditions of borrowing.
v) Evaluate external financier for suitability/credibility where applicable and make recommendations to management.
vi) Evaluate the performance of the loans issued to staff on quarterly basis and make recommendations in respect of loan policy changes.
vii) Receive and evaluate funds statement/reports from the financiers on quarterly basis and make recommendations decision making.
viii) The Committee meets at least once quarterly.

c) Induction, training and development Administration Committee members and member's performance

The Fund Administration Committee members have undergone induction training to equip them with the necessary knowledge and skills on how to handle and manage the Mortgage and Car Loan scheme. The team is scheduled for an additional training in FY 2025/26. Further, the members are scheduled to undertake the evaluation of their performance in FY 2025/26 after the development of the appropriate tools.

d) Fund Administration Committee and member's performance

The members are scheduled to undertake the evaluation of their performance in FY 2025/26 after the development of the appropriate tools.

e) **Number of Fund Administration Committee meetings held and the attendance to those meetings by members**

The Committee held meetings during the year as indicated below:

NO.	NAME	POSITION	COMMITTEE MEETINGS
1.	CPA, FA, Francis Mutunga	Chairman	5/6
2.	Kenneth Jumba	Vice Chairman	6/6
3.	CHRP(K), Roselyn Mugavana	Secretary	5/6
4.	Bernard Obura	Member	6/6
5.	Sheila Kahuki	Member	5/6

f) Succession plan

The Committee has an established succession plan aimed at ensuring business continuity in the Fund. The terms of the members of the Committee members are scheduled to end at different times to guarantee continuity.

g) Policy to manage conflict of interest

Members are required to make a written disclosure of any agenda or transaction, which would constitute a conflict of interest and to abstain from the discussion or voting when such matters are being considered. Individual Committee members exercise independence of judgement and professional competencies for effective governance of the Fund. During the Committee meetings, the members are required to declare any conflict of interest with the business of the day, and excuse themselves from any participation in the particular meeting.

All members are required to inform the Committee of any conflicts or potential conflicts of interest they may have in relation to particular items of business, and they are required to absent themselves from discussion or decisions on those matters, unless resolved otherwise by the remaining members of the Committee.

h) Fund Committee remuneration

The Fund Administration Committee is not paid any remuneration, and they serve at the Committee as part of their duties at Kenya Literature Bureau.

i) Ethics and conduct

The Committee recognises the important role that the ethical standard plays in organisational growth and development. A code of conduct is a public statement that outlines our expectations and holds us accountable to our conduct in business. The Committee uses the Code of Conduct for Kenya Literature Bureau which was circulated to all the staff and are required to read, understand, sign and remain bound by the provisions. Adequate mechanisms have been put in place to receive complaints, investigate the allegations of unethical contact and discipline. The Bureau collaborates with Ethics and Anti-Corruption Commission (EACC) to entrench the culture of ethics in all our undertakings.

j) Governance Audit

On matters of governance, the scheme fully complies with the Salaries and Remuneration Commission's circular Ref. SRC/ADM/CIR/I/13 VOL III(130) on Car Loan and Mortgage Loan Schemes for State and other Public Officers, as well as with approvals granted by the National Treasury. This adherence to legal and regulatory requirements underscores the integrity and accountability of the scheme's operations.

The Fund borrows most of its operating principles from the *Mwongozo Code of Governance for State Corporations* which is implemented continuously, and which is considered a significant step towards deepening corporate governance, professionalism, ethics and integrity in management of Fund affairs.

The Fund Administration Committee is charged with the responsibility of ensuring that compliance with all the existing laws and regulations is ensured on a continuous basis. Further, one of the members of the Committee is a lawyer and this ensures that matters are legally assessed to assure of compliance.
The Fund is scheduled to undertake the governance audit in the coming year.

k) Communication Policy

The Bureau has an established communication policy, which enables accurate, timely, and proactive communication with stakeholders in line with corporate governance standards and which by extension applies to the KLB Mortgage and Car Loan Scheme and Fund Administration Committee.

The scope of the policy covers communications by the Board, including with management, shareholders, regulators, media, and the public. The Channels of Communication, include the Annual/half-year results via briefings, circulars, and web postings, Corporate website and social media for official disclosures and Email and videoconferencing for stakeholder engagement and board meetings.

l) Terms of reference of Committee

The fund has not established committees since the operations have been adequately handled by the Fund as a committee of the whole.

m) Policy on related party transactions

KLB has an established policy on related party transactions, which aims to ensure that all dealings with individuals or entities having a close relationship with the Bureau are conducted transparently, fairly, and in the best interests of the public. It's a critical component of good corporate governance and financial management. The policy is guided by fundamental principles to prevent conflicts of interest and protect the Bureau's financial integrity. This policy by extends its scope to the KLB Mortgage and Car Loan Scheme and Fund Administration Committee.

The Key Principles include:

i) **Transparency**: All related party transactions must be fully disclosed to the relevant authorities and committees.
ii) **Arm's Length Basis**: Transactions must be conducted on terms that are fair and reasonable, as if the parties were unrelated. This is also referred to as "at market value."
iii) **Objectivity**: Decisions regarding related party transactions must be made based on objective criteria, not personal relationships or influence.
iv) **Accountability**: Individuals involved in approving or executing such transactions must be held accountable for their actions.

The related parties include:

i) **Key Management Personnel**: This includes board members, senior managers, and any other individuals with the authority and responsibility for planning, directing, and controlling the activities of the Bureau.
ii) **Close Family Members**: Spouses, children, parents, and siblings of key management personnel.
iii) **Entities with Control or Significant Influence**: Any company, partnership, or other entity that is controlled by or has significant influence over the Bureau's key management personnel or their close family members.
iv) **Significant Shareholders**: As a state corporation, this would apply to any entity or individual holding a substantial interest or influence in the Bureau including the Government through the Ministry of Education and the National Treasury.

9. Management Discussions and Analysis

a) The operational and financial performance of the Fund during the period, as compared to the industry

The Bureau, which is the sponsor for the Mortgage and Car Loan Fund is implementing the fourth cycle Strategic Plan 2020-2024, whose first year of implementation was 2020/21, with the final year of implementation being FY 2024/25. The Bureau embarked on continued implementation of the Strategic Plan, which has provided a re-energised strategic direction based on the following strategic pillars:

i) **Financial Sustainability**
ii) **Customer Centricity**
iii) **Operational Efficiency and Effectiveness**
iv) **Organizational Capacity Development**

The KLB Mortgage and Car Loan scheme has been incorporated in the Kenya Literature Bureau Strategic Plan 2020 – 2024, under the Strategic Pillars stated below:

i) **Financial Sustainability Pillar.**
ii) **Organizational Development Capacity Development Pillar.**

The Fund continues to operate in a professional manner guided by the Mortgage and Car Loan Scheme Policy, 2018, the National Treasury and Salaries and Remuneration Commission guidelines, to offer services to the employees of Kenya Literature Bureau.

The schemes have been active since inception and the Bureau continues to sensitize and inspire staff on the benefits of owning a home. The uptake has been commendable. The approved scheme fund limits Mortgage Loan Scheme is Kshs. 500 Million, while that of the Car Loan Scheme is Kshs. 50 Million.

Key Performance Indicators (KPIs) – 2023/24 vs 2024/25:

Indicator	2023/24 (Kshs.)	2024/25 (Kshs.)	% Change
Interest Income	5,448,002	5,836,665	**+7.1%**
Administrative Fees	3,453,488	3,671,170	**+6.3%**
Finance Costs	1,640	1,065	**-35.1%**
Surplus After Tax	1,693,697	1,839,606	**+8.6%**
Total Assets	154,415,612	163,517,325	**+5.9%**
Mortgage Fund	122,500,000	129,850,000	**+6.0%**

Car Loan Fund	20,000,000	20,000,000	**0.0%**
Accumulated Reserves	10,827,643	12,667,249	**+17.0%**
Cash & Cash Equivalents	33,953,922	42,087,370	**+23.9%**

The financial performance of the KLB Mortgage and Car Loan Scheme for the year ended 30th June 2025 demonstrates consistent growth and sustainability. Interest income rose to Kshs. 5.84 million in 2024/25 from Kshs. 5.45 million in 2023/24, reflecting improved loan portfolio performance. Administrative expenses increased marginally to Kshs. 3.67 million, while finance costs remained negligible. This resulted in a surplus after tax of Kshs. 1.84 million, an improvement from Kshs. 1.69 million in the previous year.

The fund's asset base expanded from Kshs. 154.4 million in 2023/24 to Kshs. 163.5 million in 2024/25. The mortgage revolving fund accounted for the largest share at Kshs. 129.9 million (80%), followed by the car loan fund at Kshs. 20 million (12%) and accumulated reserves at Kshs. 12.7 million (8%). This composition underscores the central role of the mortgage scheme in driving the fund's growth and sustainability.

Liquidity also strengthened, with cash and cash equivalents rising from Kshs. 33.95 million in 2023/24 to Kshs. 42.09 million in 2024/25. This growth reflects efficient loan recoveries and prudent reinvestment of interest earnings into the revolving fund.

As at 30th June 2025, the Scheme had received a cumulative allocation of Kshs. 149.85 million, up from Kshs. 142.5 million the previous year. Of this amount, Kshs. 129.85 million was committed to the Mortgage Loan Scheme, while Kshs. 20 million was dedicated to the Car Loan Facility. Staff continue to benefit from competitively low-interest loans at a rate of 4%, of which 3% is remitted to the appointed financial institutions managing the Fund as administrative expenses, and 1% is re-invested into the Scheme.

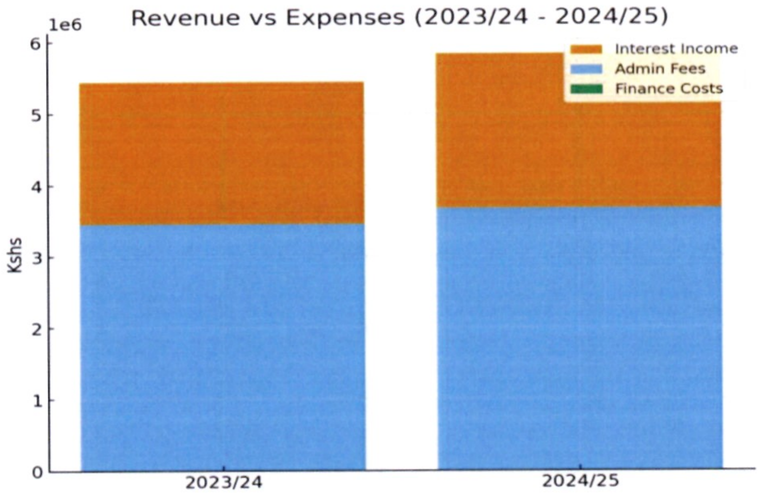
Since the inception of the KLB Mortgage and Car Loan Scheme, loan recoveries have steadily grown through staff payroll deductions. To date, a total of Kshs. 63,758,214 has been recovered under the Mortgage Loan Scheme and Kshs. 10,071,972 under the Car Loan Scheme. The Bureau continues to earn annual interest at the rate of

1% on these loans, which is reinvested back into the revolving fund to support its sustainability.

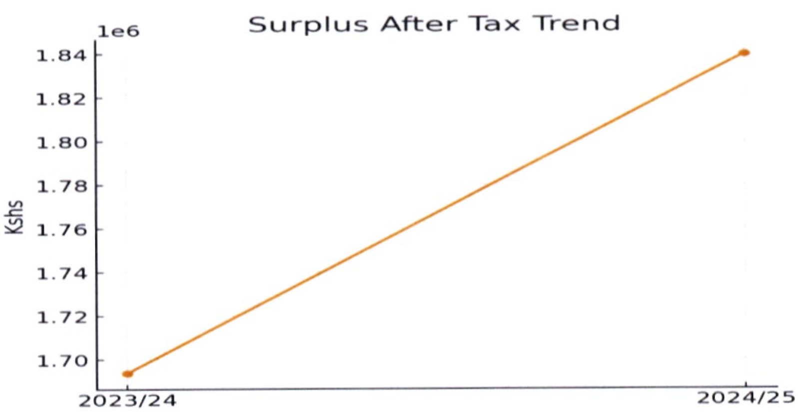
Cumulatively, this has generated Kshs. 9,744,173 under the Mortgage Loan Scheme and Kshs. 2,923,076 under the Car Loan Scheme. Current monthly recoveries stand at Kshs. 1,190,508 for the Mortgage Loan Scheme and Kshs. 64,146 for the Car Loan Scheme, bringing total monthly recoveries to Kshs. 1,254,654.

The graphical representations are provided below:

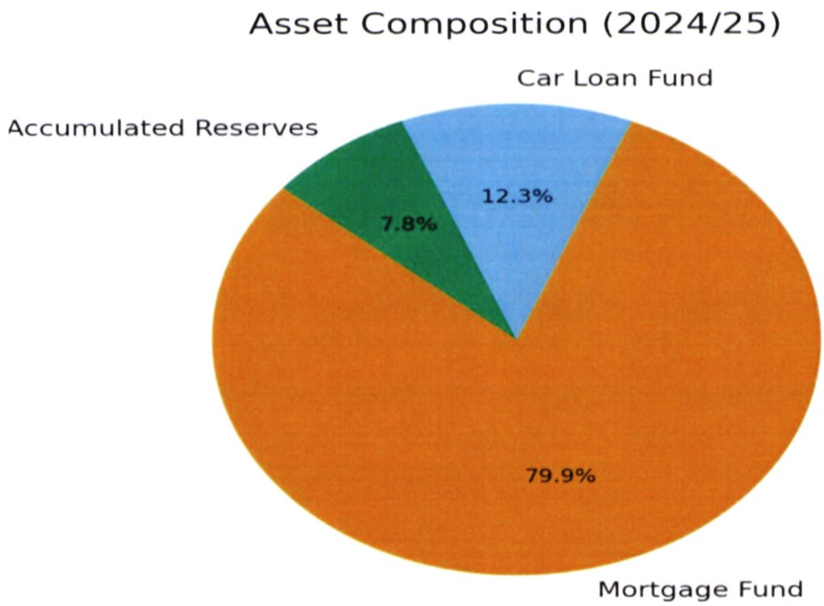
Revenue vs Expenses



Surplus After Tax Trend



Asset Composition (2024/25)



Strategically, the scheme has met its objective of enhancing staff attraction, retention, and motivation by providing affordable credit facilities. Financially, sustainability has been assured despite the Bureau not injecting new funds due to austerity measures, as repayments and reinvested interest continue to support growth. Compliance with regulatory requirements, including Salaries and Remuneration Commission guidelines and National Treasury approvals, further demonstrates the integrity of fund management.

b) Fund's key projects or investments decision implemented or ongoing

The Fund did not implement any key project or investment during the year.

c) Number and amount of Loans issued during the period, loans outstanding at end of the period and loans repaid during the period.

In FY 2024/25 one (1) staff member received a loan for purchase of residential House amounting to Kshs. 10.35 Million, while one (1) staff received a loan for purchase of car worth Kshs. 800,000.

Cumulatively as at 30th June 2025, twenty-two (22) staff members have been facilitated with mortgage loans while ten (10) staff members have benefited from car loan. It is encouraging to note that the beneficiaries of the scheme have continued to service their loans as scheduled without any default.

As at 30th June 2025, the Mortgage Loans outstanding and held by Kenya Commercial Bank Group amounted to Kshs. 57,332,573, while that held by Housing Finance Group amounted to Kshs. 60,143,956. The Car loan outstanding loans as at 30th June 2025 amounted to Kshs. 2,683,488 held by Housing Finance Group.

The loans repaid during the year amounted to Kshs. 9,331,022 under the Mortgage Loan Scheme and Kshs. 648,650 under the Car Loan Scheme.

d) Fund's compliance with statutory requirements.

The Fund has been compliant with the various regulatory and statutory requirements. The Fund commits to also comply with all the taxation and other laws.

e) Major risks facing the Fund, material arrears in statutory and other financial obligations

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

In the normal course of business operations, the Fund's activities expose it to a variety of financial risks, including credit risk and the effects of changes in foreign currency exchange rates and interest rates. The Fund's overall risk management programme focuses on the unpredictability of the industry and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by the Fund Administration Committee under policies approved by the Board of Management of Kenya Literature Bureau. The Committee provides principles for overall risk management.

i) Credit risk

Credit risk is the risk of financial loss to the Fund if a customer to a financial instrument fails to meet its contractual obligations and arises principally from the Fund's receivables with customers.

Bank balances are held with credible financial institutions and are fully performing. Trade receivables are due from customers with good credit rating.

ii) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund implements prudent liquidity risk management that include maintaining sufficient cash to meet Fund obligations. The Fund manages this risk by maintaining adequate cash balances in the bank which are invested in short-term deposits and by continuously monitoring forecast and actual cash flows.

iii) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of the changes in market price and comprises three types of risks: currency risk, interest rate risk, and other price risk, whose details are provided below:

- **Currency risk**

  Currency risk arises on financial instruments denominated in foreign currency. The Fund doesn't maintain cash equivalents denominated in foreign currency. However, the currency risk arising from them is minimal since the amount held in relation to the total cash and cash equivalents is small.

- **Interest rate risk**

  The Fund did not have any borrowings as at June 30, 2025 and hence not exposed to cash flow interest rate risk resulting from changes in market interest rates.

- **Price risk**

  Other price risk arises on financial statements because of changes in the price of a financial instrument. The Fund is not exposed to other price risk since the prices of its financial instrument remain stable. In addition, the Fund does not have investments in quoted shares.

f) MATERIAL ARREARS IN STATUTORY/FINANCIAL OBLIGATIONS

The Fund had no materials arrears in statutory or other financial obligations.

10. Environmental And Sustainability reporting

a) Sustainability Strategy and Profile

The Bureau's Mortgage and Car Loan Scheme is committed to promoting sustainability in line with its core mandate of supporting staff welfare while ensuring accountability and prudent fund management. Globally, issues such as climate change, resource scarcity, and shifting macroeconomic conditions have heightened the need for institutions to adopt sustainable practices that safeguard the environment and communities.

The Fund Administration Committee recognizes that sustainability is not only about environmental stewardship but also about contributing to the United Nations Sustainable Development Goals (SDGs), particularly SDG 8 (Decent Work and Economic Growth), SDG 10 (Reduced Inequalities), and SDG 13 (Climate Action). In this regard, the Scheme continues to strengthen its policies and practices to ensure long-term value for employees, stakeholders, and society.

During the reporting period, the Scheme made progress in embedding sustainability into its operations, while acknowledging some shortcomings. Among the notable achievements were the reinvestment of interest earned into the revolving fund to ensure continuity and self-sufficiency, as well as staff-focused initiatives that enhanced retention and welfare. Areas requiring further improvement include the full integration of environmental standards and digitization of processes to reduce paper-based operations. Mitigation measures include the ongoing automation of systems and enhanced awareness programs for employees.

In addition, the Bureau adheres to the Public Procurement and Asset Disposal Act, 2015, by promoting equitable contract management practices. A proportion of contracts and procurement opportunities are deliberately allocated to youth, women, and persons with disabilities (PWDs), reinforcing the Scheme's commitment to inclusivity and sustainable community development.

b) Environmental Performance

While the nature of the Scheme's operations has limited direct environmental impact, the Fund Administration Committee acknowledges that administrative and operational activities contribute to resource consumption. The Scheme is guided by a developing Environmental Policy Framework which emphasizes the 3Rs principle (Reduce, Reuse, Recycle).

Practical initiatives implemented during the reporting year include:

i) Encouraging digital and paperless communication to reduce paper consumption.
ii) Phasing out the use of plastic bottles and introducing designated bins for waste segregation.
iii) Promoting energy efficiency within offices through proper use of lighting and natural ventilation.

Looking forward, the Bureau plans to incorporate climate-smart practices such as adopting solar lighting solutions and further digitizing operations to reduce its carbon footprint.

c) Employee Welfare

The Scheme recognizes that its greatest asset is its workforce. Policies guiding recruitment and employment emphasize fairness, inclusivity, and equal opportunities. Particular consideration is given to achieving gender balance and providing opportunities for youth and PWDs.

The Bureau invests in continuous professional development through training, skills upgrading, and career progression programs. A structured appraisal system ensures fair assessment, recognition, and reward. In addition, staff welfare initiatives include wellness programs and support for diversity and inclusion.

The Scheme complies with the Occupational Safety and Health Act (OSHA), 2007. Safety drills and awareness sessions are conducted periodically to minimize work-related risks. During the reporting year, no major work-related injuries were recorded, reflecting the effectiveness of the existing safety measures.

d) Marketplace Practices

i) **Responsible Competition Practices**

The Scheme ensures fair and transparent practices in line with anti-corruption frameworks. A robust complaints and information management system is in place, allowing staff and stakeholders to raise concerns anonymously. The Bureau also observes open and competitive tendering processes in line with public procurement guidelines.

ii) **Responsible Supply Chain and Supplier Relations**
The Fund Administration Committee upholds ethical procurement practices by ensuring suppliers are fairly selected, contracts are honoured, and payments are processed promptly. Preference is given to suppliers who demonstrate compliance with tax obligations and ethical business standards.

iii) **Responsible Marketing and Engagement**
While the Scheme is internally focused, it remains committed to ethical communication with staff and stakeholders. Information on loan products is transparent, accurate, and devoid of exaggeration. Regular sensitization sessions ensure employees understand their rights and obligations under the scheme.

iv) **Product Awareness Creation**
The Bureau safeguards employee rights by providing clear product information, protecting personal data and privacy, and ensuring grievance redress mechanisms are accessible. Efforts are ongoing to enhance awareness of available services through digital platforms and staff forums.

v) **Corporate Social Responsibility (CSR) and Community Engagement**
Beyond its core mandate, the Bureau supports community-focused initiatives aligned with sustainability principles. During the reporting year, the Scheme participated in tree-planting drives, partnered with local schools for literacy support programs, and contributed to community sensitization on financial literacy.

Other initiatives included support to vulnerable groups through material donations and participation in civic education forums. These CSR activities not only enhance the Bureau's corporate image but also strengthen relationships with the communities it serves, creating long-term shared value.

11. Report of the Fund Administration Committee

The Fund Administration Committee submit their report together with the audited financial statements for the year ended June 30, 2025, which show the state of the Fund affairs.

Principal activities

The Fund's principal activity is to administer a mortgage and car loan scheme for members of staff to access loan facilities for purchase and development of residential houses and purchase of motor vehicles for personal use for commuting from home to the office.

Performance

The performance of the Fund for the year ended June 30, 2025, is set out from page 1 to 23.

Fund Administration Committee

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

Auditors

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

By Order of the Board

CPA FA Francis M. Mutunga
Chairman of the Fund Administration Committee

12. 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 established by Kenya Literature Bureau (CAP 209 of 1980 Revised 2022), 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 and Kenya Literature Bureau (CAP 209 of 1980 Revised 2022). 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 26th August 2025 and signed on its behalf by:

....	....
CPA FA Francis M. Mutunga	**CHRP (K) Roselyn Mugavana**
Chairman of the Fund	**Fund Administrator/Secretary**

14.Statement of Financial Performance for the year ended 30th June 2025

Description	Note	2024/25	2023/24
		Kshs.	Kshs.
Revenue from exchange transactions			
Interest income	6	5,836,665	5,448,002
		5,836,665	**5,448,002**
Expenses			
Administration fees	7	3,671,170	3,453,488
Finance costs	8	1,065	1,640
Total expenses		**3,672,235**	**3,455,128**
Surplus before Tax		**2,164,430**	**1,992,874**
Taxation	9	324,824	299,177
Surplus after Tax		**1,839,606**	**1,693,697**

The accounting policies and explanatory notes to these financial statements (Pg. 6 to 23) form an integral part of the financial statements. The Scheme financial statements were approved on 26th August 2025 and signed by:

....	....	....
CPA, FA, Francis M. Mutunga	**CHRP (K) Roselyn Mugavana**	**CPA Benjamin Gachewa**
Chairperson of the Fund	**Fund Administrator**	**Fund Accountant**
		ICPAK M/NO. 12666

REPUBLIC OF KENYA

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REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON KENYA LITERATURE BUREAU MORTGAGE AND CAR LOAN SCHEME FOR THE YEAR ENDED 30 JUNE, 2025

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 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

Opinion

I have audited the accompanying financial statements of Kenya Literature Bureau Mortgage and Car Loan Scheme set out on pages 1 to 24, 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 the 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 Kenya Literature Bureau Mortgage and Car 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 Kenya Literature Bureau Mortgage and Car 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.

My report 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 prior year's audit report, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of Mortgage and Car Loan Scheme in 2024/2025 revealed that the following four (4) issues remained unresolved:

No.	Financial Year	Audit Issue
1	2023/2024	Lack of Mortgage Protection and Fire Policy
2	2023/2024	Failure to Register Charge on Securities
3	2023/2024	Irregularities in Mortgage and Car Loan Disbursements
4	2023/2024	Gaps in the Mortgage and Car Loan Scheme Policy

Other Information

The Management is responsible for the Other Information set out on pages iii to xxxiv which comprise of Key Scheme Information and Management, Scheme Administration Committee, Management Team, Chairman's Report, Report of the Scheme Administrator, 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 of Management's Responsibilities.

In connection with my audit on the 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 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 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 else 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 Management and Board of Directors

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.

Those changed with governance are 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

03 December, 2025

15.Statement of Financial Position as at 30th June 2025

Description	Note	2023/24	2023/24
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	10	42,087,370	33,953,922
Receivables from exchange transactions	11	13,007,889	11,992,650
Total Current Assets		**55,095,259**	**45,946,572**
Non-current assets			
Receivables from exchange transactions	11	108,422,066	108,469,040
Total non-current assets		**108,422,066**	**108,469,040**
Total assets		**163,517,325**	**154,415,612**
Liabilities			
Trade and other payables	12	(1,000,076)	(1,087,969)
Total liabilities		**(1,000,076)**	**(1,087,969)**
Total Net assets		**162,517,249**	**153,327,643**
Car loan revolving fund		20,000,000	20,000,000
Mortgage revolving fund		129,850,000	122,500,000
Accumulated Reserves		12,667,249	10,827,643
Total net assets and liabilities		**162,517,249**	**153,327,643**

The accounting policies and explanatory notes to these financial statements (Pg. 6 to 23) form an integral part of the financial statements. The Scheme financial statements were approved on 26th August 2025 and signed by:

....	....	....
CPA, FA, Francis M. Mutunga	**CHRP (K) Roselyn Mugavana**	**CPA Benjamin Gachewa**

16.Statement of Changes in Net Assets for the year ended 30th June 2025

Description	Mortgage Fund	Car Loan Fund	Accumulated surplus	Total
	Kshs.	Kshs.	Kshs.	Kshs.
Balance as at 1 July 2023	**118,000,000**	**20,000,000**	**9,133,946**	**147,133,946**
Surplus for the period	0	0	1,693,697	1,693,697
Funds received during the year	4,500,000	0	0	4,500,000
As at 30 June 2024	**122,500,000**	**20,000,000**	**10,827,643**	**153,327,643**
Balance as at 1 July 2024	**122,500,000**	**20,000,000**	**10,827,643**	**153,327,643**
Surplus for the period	0	0	1,839,606	1,839,606
Funds received during the year	7,350,000	0	0	7,350,000
As at 30 June 2025	**129,850,000**	**20,000,000**	**12,667,249**	**162,517,249**

The reserves are ploughed back into the scheme.

17. Statement of Cash Flows for the year ended 30th June 2025

Description	Note	2024/25	2023/24
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Interest received	6	5,836,665	5,448,002
Total receipts		**5,836,665**	**5,448,002**
Payments			
Administration fees	7	3,671,170	3,453,488
Withholding Tax paid	9	324,824	299,177
Finance cost	8	1,065	1,065
Total payments		**3,997,059**	**3,753,730**
Net cash flow from operating activities		**1,839,606**	**1,694,272**
Cash flows from investing activities			
Increase/(Decrease) in current Liabilities		(87,893)	(28,659)
(Increase)/Decrease in interest receivable		202,064	54,061
Proceeds from loan principal repayments		9,979,671	11,257,442
Loan disbursements paid out		(11,150,000)	(19,794,926)
Net cash flows used in investing activities		**(1,056,158)**	**(8,620,204)**
Cash flows from financing activities			
Receipts into the mortgage revolving fund		7,350,000	4,500,000
Net cash flows used in financing activities		**7,350,000**	**4,500,000**
Net increase/(decrease) in cash and cash equivalents		**8,133,448**	**(2,425,932)**
Cash and cash equivalents at 1 July	10	33,953,922	36,379,853
Cash and cash equivalents at 30 June	10	**42,087,370**	**33,953,922**

18. Statement of Comparison of Budget and Actual amounts for the year ended 30th 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
Revenue						
Transfers from other Parent Ministry/ SC/SAGA	0	0	0	0	0	
Interest income	6,000,000	0	6,000,000	5,836,665	-163,335	97%
Other income	0	0	0	0	0	
Total Revenue	**6,000,000**	**0**	**6,000,000**	**5,836,665**	**-163,335**	**97%**
Expenses						
Administration fees	3,800,000	0	3,800,000	3,672,235	127,765	97%
Expenditure	3,800,000	**0**	3,800,000	3,672,235	**127,765**	97%
Surplus for the period	**2,200,000**	**0**	**2,200,000**	**2,164,430**	**35,570**	**98%**
Capital Expenditure	**0**	**0**	**0**	**0**	**0**	

19. Notes to the Financial Statements

1. General Information

Kenya Literature Bureau Mortgage and Car Loan Scheme is established by and derives its authority and accountability from circulars referenced SRC/ADM/CIR/1/13 Vol. III (128) of 17th December 2014, RC/ADM/CIR/1/13 VOL III (130) of 29th January 2015 and SRC/ADM/CIR/1/13 VOL III (142) of 25th August 2015. The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya. The Fund's principal activity is to administer a mortgage and car loan scheme for members of staff to access loan facilities for purchase and development of residential houses, and purchase of motor vehicles for personal use.

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 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 2012 and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption Of New and Revised Standards

i) **New and amended standards and interpretations in issue effective in the year ended 30 June 2025.**

There were no new and amended standards issued in the financial year.

ii) **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025:**

Standard	Effective date and impact:
IPSAS 43: Leases	***Applicable 1st January 2025*** The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. The Fund Administrative Committee have assessed and determined that no impact will be expected of the standard to the Fund.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	***Applicable 1st January 2025*** The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. The Fund Administrative Committee have assessed and determined that no impact will be expected of the standard to the Fund.
IPSAS 45: Property Plant and Equipment	***Applicable 1st January 2025*** The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets. The Fund Administrative Committee have assessed and determined that no impact will be expected of the standard to the Fund.

IPSAS 46: Measurement	***Applicable 1st January 2025*** The objective of this standard was to improve measurement guidance across IPSAS by: i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value. The Fund Administrative Committee have assessed and determined that no impact will be expected of the standard to the Fund.
IPSAS 47: Revenue	***Applicable 1st January 2026*** This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions. The Fund Administrative Committee have assessed and determined that no impact will be expected of the standard to the Fund.
IPSAS 48: Transfer Expenses	***Applicable 1st January 2026*** The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers. The Fund Administrative Committee have assessed and determined that no impact will be expected of the standard to the Fund.

IPSAS 49: Retirement Benefit Plans	***Applicable 1st January 2026*** The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan. The Fund Administrative Committee have assessed and determined that no impact will be expected of the standard to the Fund.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	***Applicable 1st January 2027*** The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. The Fund Administrative Committee have assessed and determined that no impact will be expected of the standard to the Fund.

iii) **Early adoption of standards**

The Scheme did not early – adopt any new or amended standards in the financial year 2024/25.

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.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Fund's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b. Budget information

The original budget for FY 2024/25 was approved on 1st July 2024. 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 Fund upon receiving the respective approvals in order to conclude the final budget.

The Fund's budget is prepared on a different basis from 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 as per the statement of financial performance has been presented under section 11 of these financial statements.

c. Property, plant, and equipment (PPE)

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Fund recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus, or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d. Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

e. Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over the respective period or investment property is measured at fair value with gains and losses recognised through surplus or deficit. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition

f. 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 Fund 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 Fund 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 Note 5.

II. Financial liabilities

Classification

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

g. 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.

h. 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.

i. Nature and purpose of reserves

The Fund creates and maintains reserves in terms of specific requirements.

j. 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.

k. 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.

l. 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.

m. 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 various commercial banks at the end of the financial year.

n. Comparative figures

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

o. Events after the reporting period

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

p. Ultimate and Holding Fund

The Fund is established under Section 24 (4) PFM Act at Kenya Literature Bureau under the State Department of Basic Education . Its ultimate parent is the Government of Kenya.

q. Currency

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

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.

The estimates have been made for taxation during the year.

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. *(see 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.

6. Interest income

Description	2024/25	2023/24
	Kshs.	Kshs.
Interest Income from mortgage loans	4,777,529	4,540,590
Interest Income from car loans	117,364	64,061
Interest Income on unutilized fund deposits	941,772	843,351
Total Interest Income	**5,836,665**	**5,448,002**

7. Administration fees

Description	2024/25	2023/24
	Kshs.	Kshs.
Interest income on mortgage loans	4,777,529	4,540,590
Interest Income from car loans	117,364	64,061
Total Interest on loans	**4,894,893**	**4,604,651**
Net income to the fund (25% of loans interest income)	1,223,723	1,151,163
Administration fees (75% of loans interest income)	3,671,170	3,453,488

8. Finance costs

Description	2024/25	2023/24

	Kshs.	Kshs.
Bank charges	1,065	1,065
Total	**1,065**	**1,065**

9. Taxation

Description	2024/25	2023/24
	Kshs.	Kshs.
Interest Income on unutilized fund deposits	941,772	843,351
Net income to the fund (25% of loans interest income)	1,223,723	1,151,163
Taxable income	2,165,495	1,994,514
Tax deducted at source (15%)	**324,824**	**299,177**

10. Cash & Cash Equivalent

Detailed analysis of the cash and cash equivalents in banks approved by National Treasury in line with Section 28 of the PFM Act are as follows:

		2024/25	2023/24
Financial Institution	Account number	Kshs.	Kshs.
Mortgage and Car Loan Fund			
Kenya Commercial Bank Ltd	1250282918	4,328,612	2,395,993
Housing Finance Corporation of Kenya	4367643401	24,274,461	18,277,700
Housing Finance Corporation of Kenya	4367643402	13,484,297	13,280,229
Total		**42,087,370**	**33,953,922**

11. Receivables from exchange transactions

Description	2024/25	2023/24
Current Receivables	Kshs.	Kshs.
Net interest receivable on mortgage loans	1,269,938	1,472,002
Current Mortgage Loan Repayments Due - KCB	5,281,349	4,198,689
Current Mortgage Loan Repayments Due - HFC	5,794,190	5,781,605
Current Car Loan Repayments Due - HFC	662,412	540,354
Total Current Receivables	**13,007,889**	**11,992,650**

Description	2024/25	2023/24
Non-Current Receivables	**Kshs.**	**Kshs.**
Mortgage account loan balances - KCB	52,051,224	47,219,583
Mortgage account loan balances - HFC	54,349,766	59,257,673
Car loan account balances - HFC	2,021,076	1,991,784
Total Non- Current Receivables	**108,422,066**	**108,469,040**
Total Receivables from Exchange Transactions	**121,429,955**	**120,461,690**

Ageing analysis (receivable from exchange transactions)	Current FY 2024/25	%of total	Comparative FY 2023/24	%of total
Less than 1 year	13,007,889	10.7%	11,992,650	9.96%
Between 1-2 years	11,988,101	9.9%	10,890,078	9.04%
Between 2-3 years	11,506,325	9.5%	10,885,181	9.04%
Over 3 years	84,927,640	69.9%	86,693,781	71.96%
Total (tie to totals above)	**121,429,955**	**100.0%**	**120,461,690**	**100.0%**

12. Trade and other payables

Description	2024/25	2023/24
	Kshs.	**Kshs.**
Administration fees on accrued loan interest income	952,453	1,020,199
Tax payable on accrued loan interest income	47,623	67,770
Total payables	**1,000,076**	**1,087,969**

13. Financial risk management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund'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 Fund 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 Fund's financial risk management objectives and policies are detailed below:

a) Credit risk

The Fund 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 and available-for-sale financial investments.

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 Fund'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 the Fund's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
At 30 June 2025				
Receivables From Exchange Transactions-Car loans and mortgages	1,269,938	1,269,938	0	0
Receivables From Long-term Exchange Transactions	120,160,017	120,160,017	0	0
Bank Balances	42,087,370	42,087,370	0	0
Total	**163,517,325**	**163,517,325**	**0**	**0**
At 30 June 2024				
Receivables From Exchange Transactions- Car loans and mortgages	1,472,002	1,472,002	0	0
Receivables From Long-term Exchange Transactions	118,989,688	118,989,688	0	0
Bank Balances	33,953,922	33,953,922	0	0
Total	**154,415,612**	**154,415,612**	**0**	**0**

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 Fund has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.
The Fund Administration Committee sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the Fund's short, medium, and long-term funding and liquidity management requirements. The Fund manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Fund 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.

Other Disclosures Continued

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
At 30 June 2025				
Trade Payables	0	0	0	0
Total	**0**	**0**	**0**	**0**
At 30 June 2024				
Trade Payables	0	0	0	0
Total	**0**	**0**	**0**	**0**

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Fund 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 the Fund'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.

d) 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.

Management of interest rate risk

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

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase by one percentage point would result in an increase of Kshs. 305,931 (2024: Kshs. 287,790). A rate increase of 5% would result in an increase in profit before tax of Kshs. 61,186 (2024: Kshs. 57,558).

e) Capital risk management

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

Description	2024/25	2023/24
	Kshs.	Kshs.
Revolving fund	149,850,000	142,500,000
Accumulated surplus (Reserves)	12,667,249	10,827,643
Total funds	**162,517,249**	**153,327,643**
Less: cash and bank balances	42,087,370	33,953,922
Net debt/(excess cash and cash equivalents)	107,762,630	119,373,721

Gearing	66.3%	77.8%

14. Related party balances

a) Nature of related party relationships

Entities and other parties related to the Fund include those parties who have the 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 related to the following entities:

a) National government Fund
b) Key Management
c) Fund Committee members

b) Related party transactions

i. Transfers from related parties

Description	2024/25	2023/24
	Kshs.	Kshs.
Transfers from related parties	0	0

ii. Key management remuneration

No remuneration is offered to the Fund Administration Committee members.

Description	2024/25	2023/24
	Kshs.	Kshs.
Board of Trustees	0	0
Key Management Compensation	0	0
Total	**0**	**0**

15. Events after the reporting period

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

16. Ultimate and Holding Fund

The Fund is established under Section 24 (4) PFM Act under the Kenya Literature Bureau which is a commercial state corporation under the State Department of Basic Education, Ministry of Education. Its ultimate parent is the Government of Kenya.

17. Currency

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