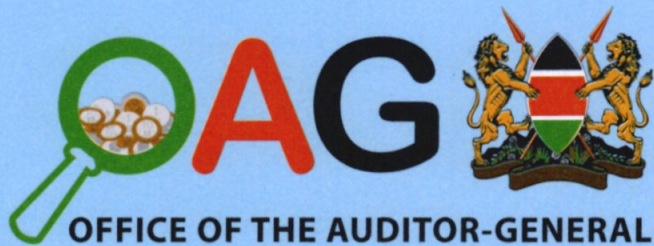
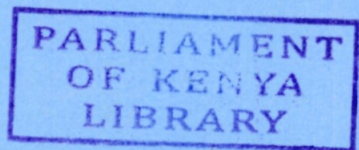


REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**



**OF**

**THE AUDITOR-GENERAL**

**ON**

**KENYA DAIRY BOARD STAFF MORTGAGE  
SCHEME**

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

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 10 MAR 2026	DAY: TUESDAY
TABLED BY:	HON. OJEN BAYA, MP
SECRETARY:	CHRISTINE NDIRITU



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**KENYA DAIRY BOARD STAFF MORTGAGE SCHEME**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**30 JUNE 2025**

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

# Kenya Dairy Board Staff Mortgage Scheme

## Annual Report and Financial Statements for the year ended 30 June 2025

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<b>Table of Contents</b>	<b>Page</b>
1. Acronyms, Abbreviations and Glossary of Terms	ii
2. Key Scheme Information and Management	iii - iv
3. The Board of Directors	v - viii
4. The Staff Mortgage Advisory Committee	ix - x
5. Chairman's Report	xi
6. Report of the Managing Director	xii
7. Statement of Performance against Predetermined Objectives	xiii
8. Corporate Governance Statement	xiv - xv
9. Management Discussions and Analysis	xvi - xvii
10. Environmental and Sustainability Reporting	xviii
11. Report of the Directors	xix
12. Statement of Director's Responsibilities	xx
13. Report of the Independent Auditor on the Financial Statements of the Mortgage Scheme	xxi
14. Statement of Financial Performance for the year ended 30 June 2025	1
15. Statement of Financial Position as at 30 June 2025	2
16. Statement of Changes in Net Assets for the year ended 30 June 2025	3
17. Statement of Cash Flows for the year ended 30 June 2025	4
18. Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 2025	5
19. Notes to the Financial Statements for the year ended 30 June 2025	6 - 17
20. Annexes	18 - 19

**Kenya Dairy Board Staff Mortgage Scheme**  
**Annual Report and Financial Statements for the year ended 30 June 2025**

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**1. Acronyms, Abbreviations and Glossary of Terms**

**A. Acronyms and Abbreviations**

AHP	Affordable Housing Program
BETA	Bottom-Up Economic Transformation Agenda
CARG	Compound Annual Rate of Growth
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CEO	Chief Executive Officer
CPA	Certified Public Accountant
CSR	Corporate Social Responsibility
ECL	Expected Credit Loss
FY	Financial Year
GDP	Gross Domestic Product
HSC	Head of State Commendation
ICT	Information and Communications Technology
ICPAK	Institute of Certified Public Accountants of Kenya
IFAC	International Federation of Accountants
IPSAS	International Public Sector Accounting Standards
KAM	Kenya Association of Manufacturers
KCB	Kenya Commercial Bank
KDB	Kenya Dairy Board
KEPSA	Kenya Private Sector Alliance
KMRC	Kenya Mortgage Refinance Company
KNBS	Kenya National Bureau of Statistics
KRA	Key Result Area
KSHS	Kenya Shillings
MBA	Master of Business Administration
MD	Managing Director
OAG	Office of the Auditor General
OGW	Order of the Grand Warrior
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SCAC	State Corporation Advisory Committee
SMAC	Staff Mortgage Advisory Committee
SRC	Salaries & Remuneration Commission

**B: Glossary of Terms**

<b>Board</b>	Means the Kenya Dairy Board established under the Section 4 of the Dairy Industry Act Cap 336.
<b>Comparative Year</b>	Means the prior period.
<b>Fiduciary Management</b>	Members of Management directly entrusted with the responsibility of financial resources of the organisation
<b>Scheme</b>	Kenya Dairy Board Staff Mortgage Scheme established by Regulation 5 of Kenya Dairy Board Staff Mortgage Scheme Policy.

## Kenya Dairy Board Staff Mortgage Scheme

### Annual Report and Financial Statements for the year ended 30 June 2025

#### 2. Key Scheme's Information and Management

##### (a) Background information

The Scheme was established in the Financial Year 2017/2018 in line with Section 24 (5) of the Dairy Industry Act Cap 336, Public Finance Management Act, 2012 and Salaries & Remuneration Commission (SRC) Circular No. SRC/ADM/CIR/1/13 Vol. III (128) of 17 December 2014. The Scheme is wholly owned by Kenya Dairy Board and is domiciled in Kenya.

##### (b) Principal Activities

The principal activity of the Scheme is to facilitate acquisition of residential property for members of staff of the Kenya Dairy Board by providing a mortgage loans for;

- i. Purchase and or development of residential property;
- ii. Purchase of land for future development.
- iii. Takeover of existing loan, and.
- iv. Renovation or repairs of residential property by a member of the scheme.

The Schemes overall administration is under the Board of Directors of Kenya Dairy Board. In addition, there is a committee charged with the responsibility of processing loans from applicants in accordance with laid down regulations, setting up a revolving Fund for the disbursement of loans, and supervising the day-to-day operations of the Scheme. The fund is administered by KCB Bank Kenya Limited who are responsible for the day-to-day operations.

##### (c) Scheme Administration

The Scheme overall administration is under the Board of Directors, Kenya Dairy Board. The Board members who served during the period were;

S No.	Position	Name
1	Chairman of the Board	Genesisio Mugo
2	CEO/Board Secretary	Margaret Kibogy, OGW *
3	Ag. CEO/Board Secretary	Dr. Willian Maritim **
4	Board Member	Brig. (Rtd) Joseph Mburu
5	Board Member	Dr. Joshua Chepchieng ***
6	Board Member	Otiang Mary Joan ****
7	Board Member	Bernard Njorah *****
8	Board Member	Kenneth Lomaibong
9	Board Member	CPA. Eunice Kigen *****
10	Board Member	Josephine Omanwa
11	Board Member	Fatuma Haji
12	Board Member	Mike Koros
13	Board Member	Gabriel Pulei
14	Board Member	Beth Mbuthia
15	Board Member	Mercy Mbogo

\* Retired in May 2025

\*\* Appointed in May 2025

\*\*\* Retired in October 2024

\*\*\*\* Appointed in October 2024

\*\*\*\*\* Retired in April 2025

\*\*\*\*\* Appointed in April 2025

##### (d) Fiduciary Management

The Scheme Administrators and Staff Mortgage Advisory Committee (SMAC) members as listed below held office during the financial year ended 30 June 2025 and had direct fiduciary responsibility since they were mandated to carry out the implementation and administration of the Scheme.

**Kenya Dairy Board Staff Mortgage Scheme**  
**Annual Report and Financial Statements for the year ended 30 June 2025**

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**Key Scheme's Information and Management (Continued)**

**(e) Fiduciary Oversight Arrangement**

S No.	Position	Name
1.	Chairman	Dr. William Maritim
2.	Secretary	Beth Muthoka
3.	Committee Member	Peter Mutua
4.	Committee Member	Edward Nyoike
5.	Committee Member	Zablon Mwaura
6.	Committee Member	Mildred Kosgei

**(f) Scheme Administrators**

KCB Bank Kenya Limited  
P.O. Box 48400  
GPO 00100  
Nairobi, Kenya

**(g) Registered Office**

Kenya Dairy Board  
New Loresho Estate, Off Waiyaki Way - Upper Kabete  
P.O. Box 30406  
GPO 00100  
Nairobi, Kenya

**(h) Scheme Contacts**

Kenya Dairy Board  
Telephone: (+254) 0733 521438, 0722 573432  
E-mail: [info@kdb.co.ke](mailto:info@kdb.co.ke)  
Website: [www.kdb.co.ke](http://www.kdb.co.ke)

**(i) Scheme Bankers**

KCB Bank Kenya Limited  
Milimani Branch, NSSF Building  
P.O. Box 69695  
Tom Mboya 00400  
Nairobi, Kenya.

**(j) Independent Auditor**

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

**(k) 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 Board of Directors**



Genesio Mugo  
Chairman

Genesio Njagi Mugo was born in 1970 and appointed as Non-Executive Chairman of the Board on 10 February 2023. A certified Master Negotiator by Strathmore Business School, he brings over 26 years of experience in business and petroleum trading, having worked with multinationals such as Caltex Kenya Limited and Kenya Shell Limited, where he held key roles in international petroleum trading and exports, stakeholder and government relations, as well as supply and trading operations. He has held several leadership and governance roles including Chairperson of the Shippers Council of East Africa, Board Member of the Hazardous-waste Producer Responsibility Organization of Kenya, Chairperson of the Energy Sector Board at Kenya Association of Manufacturers among others. Academically, he holds a BSC in Tourism from Moi University, an MBA in Social Entrepreneurship and Sustainability from Tangaza University College and is currently pursuing an MBA in Marketing at Kenyatta University and a PhD in Social Transformation.



Margaret Kibogy, OGW  
CEO/Board Secretary

Margaret Kibogy was born in 1971 and appointed in May 2016 as the Managing Director, Kenya Dairy Board and retired in May 2025. Ms. Kibogy brought on board experience in Business Growth, Management and Marketing having served in the Banking Industry in various capacities. She is highly skilled in Negotiation, Business Planning, Analytical Skills, Risk Management, and Customer Service. She holds Master of Business Administration (MBA), Marketing from University of Nairobi.



Dr. William Maritim  
Ag. CEO/Board Secretary

Dr. William Maritim was born in 1968 and has served the Board as the Director Regulatory Services since the year 2002. He was appointed as the Acting Managing Director in May 2025. He holds a Bachelor of Veterinary Medicine degree and Masters of Science degree in Veterinary Epidemiology and Economics both from University of Nairobi. Has attended Senior Management Course, Strategic Leadership Development Programme and Transformative Leadership course from Kenya School of Government. He is a member of Kenya Veterinary Association and registered with Kenya Veterinary Board. He has over 27 years' work experience in public service as Veterinary and Food Safety Officer. Former Chairperson, FAO/WHO Codex Committee for Africa (CCAFRICA) Region.



Brig. (Rtd.) Joseph Mburu,  
EBS

Brig. (Rtd.) Joseph Mburu was born in 1964 and joined the Board as a Non-Executive Director on 10 February 2023. He is a retired Senior Military Officer with vast experience in personnel matters, public finance management and public procurement as evidenced by various appointments in the Kenya Defence Forces and Ministry of Defence. He is the current chairman of Kenya Defence Forces Pay and Allowances Review Board as has previously served as the Managing Director, the Defence Forces Medical Insurance Scheme among others. He has undergone extensive training both locally and internationally and he is a holder of Bachelor Degree in Business Management of East African University as well as Bachelor and Masters of Arts Degrees in International Studies and Diplomacy both from Washington International University.

**Kenya Dairy Board Staff Mortgage Scheme**  
**Annual Report and Financial Statements for the year ended 30 June 2025**

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**The Board of Directors**



Fatuma Hajji

Fatuma Hajji was born in 1976 and joined the Board as a Non-Executive Director on 10 February 2023. She brings in wealth of experience in business development, management, trade development, project management as well as human resource management. She is a holder of Bachelor's Degree in Business Administration (Human Resource Management option of East African University). She has previously served as a Loans Officer, Woman Concern - Garissa, Garissa Township constituency Roads Committee member, Committee member - Garissa Township CDF and a Nominated Member, County Assembly of Garissa.



Mike Koros

Mike Koros was born in 1978 and joined the Board as a Non-Executive Director on 10 February 2023. He is the current Chairman to the Finance and Planning Committee of the Board. He is a holder of Bachelor of Education (Arts) from Maseno University and currently pursuing a Master's Degree Course at Kabianga University. He is currently a Senior Administrative Officer at the University of Kabianga in charge of Senate Secretariat and a community leader who spearheaded the revival of Kabianga Co-operative Society leading to the revolution of Dairy farming in Kericho County. He is also serving as the Chairman, Kabianga Farmers Co-operative Society Limited.



Mercy Mbogo

Mercy Mbogo was born in 1989 and joined the Board as a Non-Executive Director on 10 February 2023. She is the current Chair to the Audit Committee of the Board. She brings over thirteen years of experience in animal husbandry, production, management, sales and marketing. She has previously worked with Farmers Choice Company Limited as a Pig Unit Manager, Kenbrid Farms Limited and Field Officer and currently working with Bidco Africa Limited as a Sales and Technical Lead in Nairobi Region. She holds Diploma in Animal Production from Bukura Agricultural College.



CPA. Eunice Kigen

CPA. Eunice Kigen was born in 1973 and joined the Board as alternate Board Member to the Principal Secretary National Treasury and Economic Planning in April 2025. She holds a Bachelor of Commerce Degree (Accounting Option) from the University of Nairobi and an Executive Masters of Business Administration from the Jomo Kenyatta University of Science and Technology. She is also a Certified Public Accountant CPA (K). Eunice has wide experience in Public Sector Financial Management, having worked in the Government in senior positions in that field for over the past 20 years. Currently, she is the Director of Budget at the National Treasury.



Dr. J. Chepcheng, HSC

Dr. Joshua Chepcheng was born in 1964 and joined the Board as alternate Director to the Principal Secretary, State Department for Livestock Development in August 2021 till his retirement in October 2024. He is an Administrator and a Leader with over 25 years of experience in public administration, where he has served as District Commissioner in numerous stations and served in various administration roles in a number of Ministries. Dr. Joshua is currently the Director in charge of Administration, State Department for Livestock. He is a holder of a Doctorate Degree in Project Planning and Management, Master of Arts in Project Planning and Management (MAPPM) and Bachelor of Arts (B.A. Hons) all from the University of Nairobi. He is a member of Kenya Association of Public Administration and Management (KAPAM).

**The Board of Directors**



Beth Mbutia

Beth Mbutia was born in 1990 and joined the Board as a Non-Executive Director on 10 February 2023. She is a professional with over 10 years of progressive experience in dairy farming, community development, project management and conflict resolution. She has held various positions in the Church and community where she is currently serving as a Board member, Mianzini Primary School and Secretary to Presbyterian Church of East Africa (PCEA) Rafiki Church in Turi Pariah, Elburgon Presbytery.



Dr. Abraham Rugut

Dr. Abraham Rugut was born in 1952 and joined the Board as a Non-Executive Director on 10 February 2023. He is a trained teacher by profession and a holder of an Honorary Doctorate Degree in Leadership (Honoris Causa) from University of America. He has served in various capacities in the education sector including Head Teacher to Kimogoch Primary School and Head Teacher Kamoiywo Preparatory and Boarding School. He is the founder and current Chairman to Nandi Dairy Co-operative Union and Kabiye Dairies Cooperative Society Limited.



Kenneth Lomaibong

Mr. Kenneth P. Lomaibong was born in 1961 and he is a Non-Executive Director of the Board. He is currently serving as the chairman of Lelan Highland Dairy Limited. He is also a member of West Pokot county Budget and economy, Northern Corridor Peace and Conflict Resolution Forum and serves as Board member for a number of Schools.



Gabriel Pulei

Gabriel Lerionka Pulei was born in 1977 and joined the Board as Non-Executive Director on 10 February 2023. He is the current Chairman to the Technical, Licensing and Marketing Committee of the Board. He is an expert in counselling, education, mentorship, engaging the community in missionary work and community outreach as well as formulating strategies for long-term operational goals. He has previously served as Chairman of the Board of Management, Olkejuado High School and member of the Committee, National Government Constituency Development Fund. He is a holder a Diploma in Christian Ministry from Thaapnet International School of Ministry and Bachelor of Arts in Bible and Theology of Pan African Christian University.



Josephine Omanwa, HSC

Josephine Omanwa was born in 1972 and joined the Board as a Non-Executive Director on 10 February 2023. She is the current chair to Human Resource and Administration Committee of the Board. She is an accomplished professional with over 15 years of experience in administration and operations management. She is highly skilled in directing teams in delivering exceptional service and advancement of top-level objectives. She is the current National Chair, Kenya Booksellers and Stationers Association and an astute entrepreneur. She is the founder Nyamira County Widows Association and also served in the Board of Management for Gesiaga Secondary School and Nyachururu Secondary School.

**Kenya Dairy Board Staff Mortgage Scheme**  
**Annual Report and Financial Statements for the year ended 30 June 2025**

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**The Board of Directors**



Bernard Njorah

Bernard was born in 1991 and served in the Board as an Alternate Director to the Principal Secretary, National Treasury and Economic Planning till his retirement on 11 April 2025. He is a Senior Economist at the National Treasury, Directorate of Budget, Fiscal and Economic Affairs where he works mostly on formulation and analysis of policies, advisories, frameworks and legislations on Public Finance Management matters and Intergovernmental Fiscal Relations issues. Specifically, this relates to the specific contributions to the Budget Policy Statement and development of County Allocation of Revenue Bills (Division of Revenue Bill, County Allocation of Revenue Bill, and the County Governments Additional Allocations Bills), and cash Disbursement Schedules. He holds a Master's Degree in Economics from the University of Nairobi, a first-class honours Bachelor's Degree in Economics and Statistics from the same University, and a Project Development Certification from the International Sept Program at the Leipzig University, Germany. He is currently pursuing his Doctor of Philosophy (PhD) in Economics at the University of Nairobi.



Otiang Mary Joan

Otiang Mary Joan was born in 1971 and joined the Board as alternate Director to the Principal Secretary, State Department for Livestock Development – Ministry of Agriculture and Livestock Development in October 2024. She is a Livestock Production specialist with over 25 years in the industry, having served in various livestock value chain sections. She is currently Assistant Director, Livestock Production (ADLP) in the State Department for Livestock where she is in-charge of Dairy Development Section. She is a holder of Bachelor of Science in Animal Production from Egerton University and Master of Science in Entrepreneurship from Jomo Kenyatta University of Agriculture and Technology (JKUAT). She is a member of the Animal Production Society of Kenya (APSK) where she has also served as the National Treasurer.

**4. Management Team - Staff Mortgage Advisory Committee (SMAC)**



Dr. William Maritim  
Chairman to the Committee

Dr. William Maritim is the Chairman to the Staff Mortgage Advisory Committee and Ag. Managing Director to Kenya Dairy Board. He holds a Bachelor of Veterinary Medicine degree and Masters of Science degree in Veterinary Epidemiology and Economics both from University of Nairobi. Has attended Senior Management Course, Strategic Leadership Development Programme and Transformative Leadership course from Kenya School of Government. He is a member of Kenya Veterinary Association and registered with Kenya Veterinary Board. He has over 29 years' work experience in public service as Veterinary and Food Safety Officer. Former Chairperson, FAO/WHO Codex Committee for Africa (CCAFRICA) Region.



ChRP. Beth Muthoka  
Secretary to the Committee

Beth Muthoka is the Secretary to the Staff Mortgage Advisory Committee and has over 20 years' experience in human resource management. She holds Bachelor of Science in Human Resource Management (Moi University) and Higher Diploma in Human Resource Management, (IHRM). She is Certified Human Resource Professional CHRP(K) and a Certified Mediator. Has attended Senior Management Course and Strategic Leadership Development Programme from Kenya School of Government. She is a member of the Institute of Human Resource Management. (IHRM)



Peter Mutua  
Member of the Committee

Peter Mutua is a members of the Staff Mortgage Advisory Committee. He holds Bachelor of Arts graduate from the University of Nairobi and has undergone extensive professional training in the fields of human resource, administration, quality management systems and corporate governance. He has also attended Senior Management Course and Strategic Leadership Development Programme from Kenya School of Government. He has over 30 years' experience in the area of human resources and administration gained both in the public and private sectors.



CPA. Edward Nyoike  
Fund Accountant and  
Member to the Committee

CPA. Edward Nyoike serves as the Fund Accountant and a members of the Staff Mortgage Advisory Committee. He holds Bachelor of Agribusiness Management (Egerton University), Master of Business Administration (MBA) - Operations Management from University of Nairobi, Certified Public Accountant, CPA (K) and Certified Internal Auditor (CIA). Has attended Senior Management Course and Strategic Leadership Development Programme from Kenya School of Government. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He has over 20 years' experience in management, audit, finance, tax and accounting fields.

**Kenya Dairy Board Staff Mortgage Scheme**  
**Annual Report and Financial Statements for the year ended 30 June 2025**

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**Management Team - Staff Mortgage Advisory Committee (continued)**



Mildred Kosgei  
Member of the Committee

Mildred Jeptum Kosgei is a member of the Staff Mortgage Advisory Committee and has over 26 years' experience in dairy enterprise development, dairy trade promotion and negotiation. Bachelors Degree in Food Science (Egerton University), Certificate in Food Safety from the National Food Institute, Technical University of Denmark and currently pursuing Master of Business Administration course (MBA) – Strategic Management at Kabarak University. She has attended both Senior Management Course and Strategic Leadership Development Programme at Kenya School of Government.



Zablon Mwaura  
Member of the Committee

Zablon Mwaura is a member of the Committee. His is a seasoned ICT professional with over 20 years of experience. He holds a Bachelor of Science in Computer Science from the University of Nairobi and MBA in Strategic Management from Jomo Kenyatta University of Agriculture and Technology as well as certifications in Microsoft Professionalism, Quality Management Systems, and leadership development programs.

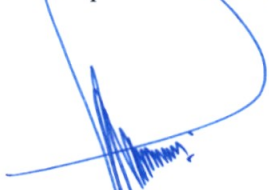
## **5. Chairman's Statement**

In financial year 2024/25, the residential sector maintained resilience despite economic challenges, supported by sustained demand from Kenya's high urbanization rate of 3.8% p.a. and population growth 2.0% p.a. rates compared to the global average of 1.7%p.a and 0.9% p.a, respectively, as per World Bank 2023 data. According to the Kenya National Bureau of Statistics (KNBS)2025 Economic Survey, the Real Estate sector's contribution to GDP grew by 4.6% to KSh 283.1 bn in Q4'2024, up from KSh 270.5 bn in Q4'2023, contributing 10.0% to GDP a 0.3% decrease from 10.3% in Q4'2023. Cumulatively, Real Estate and construction sectors accounted for 15.6% of GDP, a 3.6% decline from 19.2% in Q4'2023, reflecting economic slowdown and reduced construction activity.

The residential sector recorded a slight downtrend in performance, with the average total returns to investors coming in at 5.8%, a 0.3%-point decline from 6.1% recorded in year 2023. The performance was attributed to a decrease in the residential average price appreciation which came in at 0.4% in year 2024, 0.2% points lower than the 0.6% appreciation recorded in 2023, driven by slowed property transactions during the year. However, the sector's contribution is expected to continue improving in 2025 supported by among other factors such as Government and private sector aggressiveness in implementing housing initiative programs, which focus on affordable housing and government sponsored Mortgage Schemes. As of 2024, the Affordable Housing Programme (AHP) advanced with 1,189 units completed and an estimated total of 730,062 housing units under construction by both the government and the private sector. This is according to the Architectural Association of Kenya (AAK's) Status of the Built Environment Report 2024.

In the year 2014, the Salaries and Remuneration Commission (SRC) issued detailed guidelines for the implementation of the Mortgage Scheme across among the public servants. The guidelines detailed the approval of benefits to the intended beneficiaries along with the scope and eligibility, commencement date, implementation and administration of benefits, financing, thresholds, interest rate to be charged, duration as well as termination of the schemes. In addition, individual state agencies were required to make budgetary provisions for approval through the National Treasury to operationalize the mortgage schemes for their staff. Kenya Dairy Board has not been left behind in attempt to providing housing for the Board employees, with the intention of motivating them as well as aiming towards attraction and retention of skilled manpower.

The Board has so far invested Kshs. 50 million into the Scheme which is anticipated to increase to Kshs. 100 million through budgetary provisions in coming years. The fund has been able to advance loans amounting to Kshs. 61.41 million to nine staff who have so far benefited since inception. The Board of Directors continues to play the vital role overseeing the administration of the Kenya Dairy Board Staff Mortgage Scheme to ensure that it operates as envisaged by SRC and remains beneficial to the staff.



**Genesisio Njagi Mugo**  
Chairman of the Board

Nairobi, Kenya

**Kenya Dairy Board Staff Mortgage Scheme**  
**Annual Report and Financial Statements for the year ended 30 June 2025**

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**6. Report of the Managing Director**

In accordance with the Salaries and Remuneration Commission (SRC) Circular No. SRC/ADM/CIR/1/13 Vol. III (1A 28) dated 17<sup>th</sup> December, 2014, Kenya Dairy Board established a Staff House Mortgage Scheme for the purpose of extending financial assistance to its employees, to enable them to acquire residential homes in Kenya. The objective of the Scheme is to provide a loan scheme for members of staff for the purchase of existing residential properties, purchase of land, development on the acquired land, takeover of loans on existing mortgages or equity release in order to attract, retain and motivate an efficient and effective workforce.

The Board of Directors, Kenya Dairy Board continues to play its oversight role in the administration of the Scheme with the assistance of the Staff Mortgage Advisory Committee who are responsible for the day-to-day operations. In addition, the Board continues to engage KCB Bank Kenya Limited for the purposes of administering the scheme. The administration of the Scheme is therefore subject to the SRC Circular, Staff House Mortgage Rules and Regulations and KCB's normal lending requirements.

During the reporting period, the Scheme maintained an interest rate of 3% as cost of borrowing. The cost of borrowing has continued to attract increasing numbers of loan applicants. As at 30 June 2025, there were two applications totaling Kshs. 8 million that were approved and held pending disbursement while one application of Kshs. 8 million was undergoing appraisal. This has created a need for the Board to provide additional funding to meet the growing demand for mortgage loans. This benefit has played a role in motivation and retention of staff at Kenya Dairy Board.

In the year under review, a total of Kshs. 2,623,344 was disbursed as loans to one staff member with total loans repayments of Kshs. 3,761,348 in the similar period. Total outstanding loans as at 30 June 2025 was Kshs. 45,695,717 held by nine (9) staff members who have so far benefited from the Scheme. The balance of the unutilized fund and which was available for lending as of the same date was Kshs. 6,667,227.

From the initial funding of Kshs. 50 million by Kenya Dairy Board, the fund value has grown to Kshs. 52.36 million through reinvestment of the interest from the unutilized funds. The scheme has so far managed to finance nine staff members from different cadres with a total disbursement of Kshs. 61.41 million.

We sincerely thank the Government for the support to the Board which enabled the operationalization of the Scheme, the Board of Directors and KCB Bank Kenya Limited for their continued support and goodwill. We look forward to fruitful days ahead as we continue to support the staff members of Kenya Dairy Board in meeting the key need of housing.



**Dr. William Maritim**  
Ag. Managing Director

Nairobi, Kenya

## Kenya Dairy Board Staff Mortgage Scheme

### Annual Report and Financial Statements for the year ended 30 June 2025

#### 7. Statement of Performance against Predetermined Objectives for Financial Year 2024 - 2025

##### Introduction

The Salaries and Remuneration Commission (SRC) in fulfilment of its constitutional mandate and in exercise of the powers conferred to it under Article 230 of the Constitution of Kenya and subsequently Section 13 of the Salaries and Remuneration Commission Act, 2011, reached and analysed Car Loans and Mortgage Schemes for the State Officers and other Public Officers in Government. SRC undertook a comparative approach between the public sector and private sector and compare it to that the market dictates.

On 17<sup>th</sup> December, 2014 SRC conveyed to all Government Institution and Agencies a guide and advise on the Car Loan and Mortgage Benefits for all State Officers and other Public Officers. It was expected that the implementation of these benefits will motivate employees and immensely contribute towards attraction and retention of skills in the Board. The SRC issued detailed guidelines for the approval benefits to the intended beneficiaries along with the Scope and Eligibility, Commencement Date, Implementation and Administration of Benefits, Financing, Thresholds, Interest Rate Charge, Duration and Termination of the Scheme.

##### Objective of the Kenya Dairy Board Staff Mortgage Scheme

The key objective of the Scheme is to facilitate acquisition of residential properties for members of staff of the Kenya Dairy Board by providing a mortgage loans for;

- i. Purchase and or development of residential property;
- ii. Purchase of land for future development;
- iii. Takeover of existing loan; and
- iv. Renovation or repairs of property by members of the scheme.

##### The Strategy of the Board in relation to the Scheme

The Mortgage Scheme has been properly anchored in the Kenya Dairy Board Strategy. Specifically, the Board has put into focus five Key Result Areas (KRAs) and objectives within the current Strategic Plan for the period 2023-2027. In KRA No. 5 on Institutional Capacity and Resource Mobilization, Kenya Dairy Board has set out to enhance two staff welfare schemes, which include the Staff Housing Mortgage Scheme. Attendant indicators have been identified for reasons of tracking the progress and measuring the performance of the Mortgage Scheme. The table below provides the progress of attaining the objective of the scheme;

Strategy	Objective	Key Performance Indicators	Activities	Achievements
Improve human resource capacity for optimal performance	Enhance staff welfare schemes	Kshs. 100 million	Funding of the Staff Mortgage Scheme	Kshs. 50 million
		No. of Beneficiaries	Loan uptake by staff of Kenya Dairy Board	9
		Total value of loans issued	Issuance of loans to staff	Kshs. 61.41 million

From the initial funding of Kshs. 50 million by Kenya Dairy Board, the fund value has grown to Kshs. 52.36 million through reinvestment of the interest from the unutilised funds. The scheme has so far managed to finance nine staff members with a total disbursement of Kshs. 61.41 million.

**Kenya Dairy Board Staff Mortgage Scheme**  
**Annual Report and Financial Statements for the year ended 30 June 2025**

**8. Corporate Governance Statement**

**The Board of Directors**

The Board of Directors is the body appointed by the Government to jointly oversee the activities of Kenya Dairy Board and by extension, those of the Staff Mortgage Scheme since the Scheme is fully under the sponsorship of Kenya Dairy Board. In this regard, the Board provides strategic direction, exercise control and remain accountable through effective leadership, enterprise, integrity and good judgment. It is diverse in its composition, independent but flexible, pragmatic, objective and focused on balanced and sustainable performance of the organization.

**Roles of the Board in relation to Scheme Administration**

- i. Supervise the administration of the Scheme.
- ii. Cause to be kept books of account and other records in relation to the Scheme.
- iii. Furnish such information regarding the administration of the Scheme as may be required for examination and audit by the Auditor General or under any law.
- iv. Designate or appoint such staff as may be necessary to assist in the administration of the Scheme.

**Board meeting in relation to the administration of the Scheme**

The Board of Directors' primary role is the oversight of Kenya Dairy Board and its affiliated entities which are wholly owned controlled by the Board in strategic direction, risk management, and ensuring accountability and compliance throughout the entire "corporate group". Much of the oversight role is delivered through the Scheduled Board meetings. The Board does not hold separate meeting to discuss the affairs of the Staff Mortgage Scheme. However, the operations of the Scheme are presented and deliberated during the regular meetings of the Board. The full board meetings are held at least four (4) times a year. A schedule of dates of the meetings is agreed upon by the Board members and set out in the Board work plan. The Board held four full board meetings in the financial year. The attendance of the Board members during the four full Board meetings held in the year was as follows;

Board Member	Designation	No. eligible of meetings	Meetings attended	Overall % attendance
Genesio Mugo	Chairman of the Board	7	7	100%
Margaret Kibogy *	Managing Director	7	6	86%
Dr. William Maritim**	Ag. Managing Director	0	0	0%
Kenneth Lomaibong	Independent Director	7	7	100%
Dr. Joshua Chepchieng***	Alternate Director	2	2	100%
Mike Koros	Independent Director	7	7	100%
Brig. (Rtd.) Joseph Mburu	Independent Director	7	7	100%
Dr. Abraham Rugut	Independent Director	7	7	100%
Mercy Mbogo	Independent Director	7	7	100%
Fatuma Haji	Independent Director	7	7	100%
Gabriel Pulei	Independent Director	7	7	100%
Josephine Omanwa	Independent Director	7	7	100%
Beth Mbuthia	Independent Director	7	7	100%
Benard Kangethe ****	Alternate Director	6	6	100%
Otiang Mary Joan ****	Alternate Director	5	4	80%
CPA. Eunice Kigen *****	Alternate Director	1	0	0%

\* Retired in May 2025

\*\* Appointed in May 2025

\*\*\* Retired in October 2024

\*\*\*\* Appointed in October 2024

\*\*\*\*\* Retired in April 2025

\*\*\*\*\* Appointed in April 2025

**Corporate Governance Statement**

**Staff Mortgage Advisory Committee**

The members of the Committee are appointed by the Managing Director, Kenya Dairy Board and their responsibility is to oversee the implementation and administration of the Scheme.

**Composition of the Staff Mortgage Advisory Committee**

The Committee comprise of the three (3) Heads of Department and three (3) other members of staff. Among the appointed members, the Managing Director is required to appoint a Chairperson, a Vice Chairperson while the staff responsible for Human Resource matters in the Board becomes the Secretary to the Committee.

**Roles and functions of the Staff Mortgage Advisory Committee**

The functions and duties for the staff Mortgage Advisory Committee are to;

- i) Supervise the day-to-day running of the Scheme and approve successful applications.
- ii) Forward the successful applications with recommendation to the Service Provider for approval.
- iii) Process applications for loans in accordance with the existing terms and conditions of borrowing.
- iv) Communicate the decision of the application to the applicant through the secretary of the Scheme.

**Staff Mortgage Advisory Committee Meetings**

The attendance of the SMAC members in the four meetings held during the year was as follows;

<b>Committee Member</b>	<b>Designation</b>	<b>No. eligible of meetings</b>	<b>Meetings attended</b>	<b>Overall % attendance</b>
Dr. William K. Maritim	Chairman	4	4	100%
Beth Muthoka	Secretary	4	4	100%
Peter Mutua	Member	4	4	100%
Edward Nyoike	Member	4	4	100%
Zablon Mwaura	Member	4	3	75%
Mildred Kosgei	Member	4	2	50%

**Succession plan of the Staff Mortgage Advisory Committee**

Members of the Staff Mortgage Advisory Committee holds office for a period not exceeding three (3) years, and are eligible for reappointment, save for the Secretary who is a permanent member of the Committee.

**Risk Management**

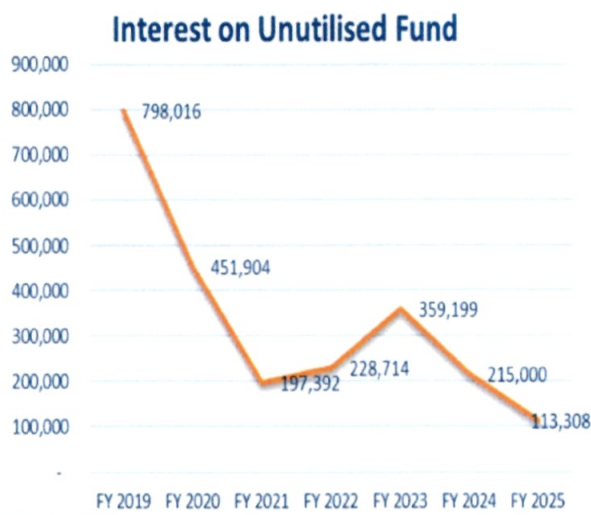
The Scheme has implemented risk management initiatives which are part of the wider Kenya Dairy Board Risk Management Framework, which identifies the risks that must be controlled and assigns duties within a systematic approach. The Staff Mortgage Advisory Committee is responsible for risk identification management activities. The final line of defence involves the External Auditor and the Internal Audit function. The Internal audit function of the Board independently evaluates the adequacy of overall risk management framework and reports the same to the Board Audit Committee.

**Kenya Dairy Board Staff Mortgage Scheme  
Annual Report and Financial Statements for the year ended 30 June 2025**

**9. Management Discussion and Analysis**

**Operational and financial performance**

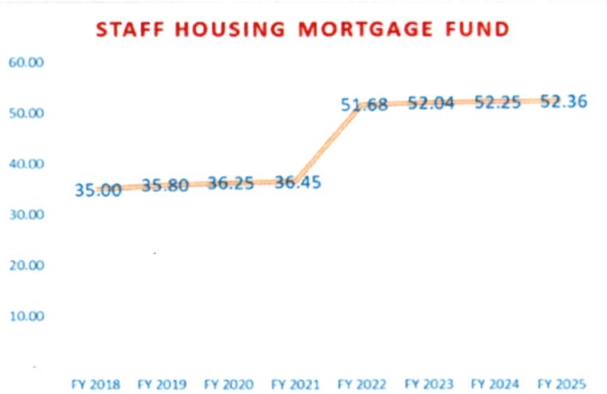
During the review period, the Central Bank Rate (CBR) was raised to 12.75 per cent as at August 2024, dropped to 11.25 per cent as at December 2024, 10 per cent in April 2025 and 9.75 in June 2025, translating to an average of 11.08 per cent during the financial year. The decision aimed to support lending and economic activity, with the bank citing room for further monetary easing. Domestic lending rates have been falling, and private sector credit growth has shown modest recovery. The Monetary Policy Committee considered global risks, including US-China trade tensions, conflicts in Ukraine and Palestine, slowing domestic growth, and the fact that major economies central banks have continued to cut rates cautiously. source (Central Bank of Kenya).



Change in Central Bank Rate has effect on the interest earned by the fund, especially on unutilised funds which earns interest at 20% of the CBR. Interest is charged on the Staff mortgage loans at a rate 3.0% p.a. The rate is calculated as the sum of the administration fee. Interest credited on unutilised fund is revolved to the Scheme fund, hence it is recognised as income. The amount of interest realised from the unutilised fund during the year was Kshs. 113,308 (FY 2023-2024 - Kshs. 215,000). Notably, the interest on unutilised funds reduced from Kshs. 798,016 in June 2019 to Kshs. 197,392 in June 2021, increasing to Kshs. 359,199 as at June 2023 and reducing further to Kshs. 113,308 in the last financial year.

The above trend is driven by the movement of the unutilised funds, with the initial funding from Kenya Dairy Board received in June 2018 and the first loan was advanced in March 2019.

**The fund value**



The Board invested the initial Kshs. 35 million in the year ended 30 June 2018. An additional funding of Kshs. 15 million was disbursed to the Scheme in the year ended June 2022.

However, with a total earning of interest of Kshs. 2.36 million on the unutilised funds over the last six years, the fund has grown from Kshs. 50 million to Kshs. 52.36 million as at 30 June 2025.

**Loans to Staff of Kenya Dairy Board**

In the year under review, a total of Kshs. 2,623,344 was disbursed as loans to one staff member with total loans repayments of Kshs. 3,761,348 in the similar period. Total outstanding loans as at 30 June 2025 was Kshs. 45,695,717 held by nine (9) staff members who have so far benefited from the Scheme. The balance of the unutilized fund and which was available for lending as of the same date was Kshs. 6,667,227.

**Management Discussion and Analysis (continued)**

**Material arrears in Statutory and other financial obligations.**

The Scheme does not have any arrears in statutory or financial obligations. The Scheme's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its obligations as and when they fall due.

**Major risks facing the Scheme**

**i) Liquidity risks** which may result to the Scheme's inability to meet the financial obligation. This is managed by processing of loans on first come first served basis subject to availability of funds.

**ii) Credit risks** which is the possibility of default by the beneficiaries. This managed by registration a first legal charge over the property to KCB Bank as primary security for the Mortgage Loan.

**iii) Scheme's financial probity and governance issues.** The Board plays the oversight role over the administration of the Scheme. There is a clear separation of roles between the Staff Mortgage Advisory Committee and the Administrator, who is KCB Bank Kenya Limited.

## **10. Environmental and Sustainability Reporting**

### **1.0 Introduction**

The Board has a comprehensive sustainability strategy focused on enhancing the competitiveness, sustainability, and resilience of the dairy industry. This strategy is articulated in the five-year Strategic Plan (2023-2027) and the Dairy Industry Sustainability Roadmap (2023 – 2033). The Strategic Plan identifies climate change and resilience of dairy enterprises as one of the strategic issues to be addressed to ensure these enterprises are profitable and are responsive and adaptive to the environment. The Sustainability Roadmap is a 10-year plan aimed at transforming the Kenyan dairy sector to be more sustainable, competitive, and low-carbon. It focuses on increasing milk production, improving farmer incomes, and enhancing the environmental sustainability of the industry. The roadmap envisions doubling milk production, increasing exports, and improving the livelihoods of small-scale dairy

### **2.0 Sustainability Profile and Reporting**

Kenya Dairy Board and all its affiliates, including the Scheme takes cognizance of the impact of climate change on the planet, agriculture and dairy in particular. The Board of Directors and the Staff Mortgage Advisory Committee acknowledge the responsibility to the environment and local communities in which we operate in co-exist. This is by embracing a sense of responsibility for corporate actions and encouraging all partners and stakeholders for coexistence in our communities and the society they operate in.

### **3.0 Environment Performance**

The World is facing the triple planetary crisis on climate change, biodiversity loss and land degradation. Forests and rangelands are important for climate and environmental stability; economic development; and social and livelihood support systems. There is a global call for action to halt and reverse deforestation and land degradation with consensus to restore at least 30% of the degraded terrestrial and marine ecosystems by 2030. Kenya has more than 90% of landscapes facing degradation (61% high and 27% severe). The Scheme aims to minimize any harmful effects and consider the development and implementation of environmental standards to be of great importance.

### **4.0 Employee Welfare**

The success of the Scheme is largely dependent on the human capital. The Board recognize the need to inculcate among the employees the culture of being sensitive to matters of safety, security, society and the environment. The Board facilitates training for its employees to improve on their competence, provide necessary support systems for people with different needs and have a system in place that encourages acceptance of cultural diversity. This ensures that employees act with integrity and responsibility with the people they deal with the environment they interact with. Further, the Board is an equal opportunity employer.

### **5.0 Market Place Practices**

The Board committed to a fair and equitable market practices and has deliberately made it easier for all to access information on the website with the cognizance that it is a right for all citizens to be able to receive any information. In addition, the Board operates a robust complaints information management system where all complainants are received and timely processed. Similarly, in line with the mandate of the institution the Scheme aims to support the KDB workforce for the improvement and control of the dairy industry and its products.

### **6.0 Responsible Supply Chain and Supplier Relations**

The Scheme takes responsibility of maintaining a sound and responsible supply chain and strong relationship with the vendors and service providers. Similarly, the Scheme through the Board adheres to good business practices, including ensuring suppliers know and meet expectation of responsible behaviour regarding issues such as quality in products and services delivery as well as fair pricing.

### **7.0 Responsibility Marketing and advertisement**

The Board as a moral corporate citizen respects the rights of its stakeholders in all its marketing and advertising activities. It respects the social, ethical, and environmental rights as set out by marketing and advertising professional bodies while complying with legal and statutory requirements such as the Constitution of Kenya, Data Protection Act and other existing laws, rules and regulations.

**Kenya Dairy Board Staff Mortgage Scheme**  
**Annual Report and Financial Statements for the year ended 30 June 2025**

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**11. Report of the Directors**

The Directors submit their report together with Audited Financial Statements for the year ended 30 June 2025 which show the state of the Scheme's affairs.

**Principal activities**

The principal activity of the Scheme is to provide housing loans to the staff members of the Kenya Dairy Board.

**Results**

The results of the Kenya Dairy Board Staff Mortgage Scheme for the year ended 30 June 2025 are set out on Page 1.

**Directors**

The members of the Board of Directors who served during the year are shown on Pages v to vii. During the year, three Board members including the Managing Director retired and in replacement three Directors were appointed.

**Auditors**

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

By Order of the Board



**Dr. William Maritim**  
Ag. Secretary to the Board  
Nairobi, Kenya

Date: 01/12/2025

**Kenya Dairy Board Staff Mortgage Scheme**  
**Annual Report and Financial Statements for the year ended 30 June 2025**

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**12. Statement of Director's Responsibilities**

Section 84 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Scheme established in line with Section 24 (5) of the Dairy Industry Act Cap 336, Public Finance Management Act, 2012 and Salaries & Remuneration Commission (SRC) Circular No. SRC/ADM/CIR/1/13 Vol. III (128) of 17 December 2014, shall prepare financial statements for the Scheme in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Directors are responsible for the preparation and presentation of the Scheme'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.

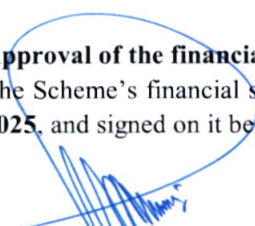
The Directors accepts responsibility for the Scheme's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Dairy Industry Act Cap 336. The Directors are of the opinion that the Scheme's financial statements give a true and fair view of the state of Scheme's transactions during the financial year ended June 30, 2025, and of the Scheme's financial position as at that date.

The Directors further confirm the completeness of the accounting records maintained for the Scheme, which have been relied upon in the preparation of the Scheme's financial statements as well as the adequacy of the systems of internal financial control. In preparing the financial statements, the Directors have assessed the Scheme's ability to continue as a going concern.

Nothing has come to the attention of the Directors to indicate that the Scheme 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 Scheme's financial statements were approved by Board of Directors, Kenya Dairy Board on <sup>28th</sup> August 2025, and signed on it behalf by:

  
\_\_\_\_\_  
**Genesis Mugo**  
Chairman of the Board  
Nairobi, Kenya

Date: 01/12/25

  
\_\_\_\_\_  
**Dr. William Maritim**  
Ag. Managing Director  
Nairobi, Kenya

Date: 01/12/2025

# REPUBLIC OF KENYA

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*Enhancing Accountability*

HEADQUARTERS  
Anniversary Towers  
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P.O Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON KENYA DAIRY BOARD STAFF MORTGAGE SCHEME FOR THE YEAR ENDED 30 JUNE, 2025**

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### PREAMBLE

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

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

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

The three parts of the report 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 Dairy Board Staff Mortgage Scheme set out on pages 1 to 18, which comprise of the statement of financial

position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Dairy Board Staff Mortgage 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 Dairy Board Staff Mortgage Scheme Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Key Audit Matters**

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

### **Other Information**

The Directors are responsible for the Other Information set out on page iii to xx which comprise of Key Scheme Information and Management, The Board of Directors, Key Staff Mortgage Advisory Committee, Chairman's Report, Report of the Managing Director, Statement of Performance against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

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

### **Responsibilities of Management and Those Charged with Governance**

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 Charged 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**

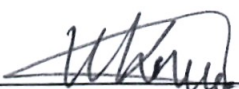
**11 December, 2025**

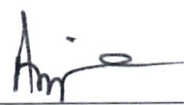
**Kenya Dairy Board Staff Mortgage Scheme**  
**Annual Report and Financial Statements for the year ended 30 June 2025**

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

	Notes	2024-2025 Kshs	2023-2024 Kshs
<b>Revenue from exchange transactions</b>			
Interest income	6	1,481,258	1,554,474
<b>Total revenue</b>		<b>1,481,258</b>	<b>1,554,474</b>
<b>Expenses</b>			
Use of goods and services	7	1,368,076	1,339,847
<b>Total expenses</b>		<b>1,368,076</b>	<b>1,339,847</b>
<b>Other gains / (losses)</b>			
Gain/loss on disposal of assets		-	-
Gain / loss on fair value of investments		-	-
<b>Surplus for the year</b>		<b>113,182</b>	<b>214,627</b>
Taxation		-	-
<b>Net surplus for the year</b>		<b>113,182</b>	<b>214,627</b>

The notes set out on pages 6 to 17 form an integral part of these Financial Statements. The Financial Statements set out on Pages 1 to 17 were signed on behalf of the Board of Directors by:

  
**Dr. William Maritim**  
 Ag. Managing Director

  
**CPA. Edward Nyoike**  
 Fund Accountant  
 ICPAK Member No. 5668

  
**Genesio Mugo**  
 Chairman of the Board

Date: 01/12/2025

Date: 01/12/2025

Date: 01/12/25


**Kenya Dairy Board Staff Mortgage Scheme**  
**Annual Report and Financial Statements for the year ended 30 June 2025**

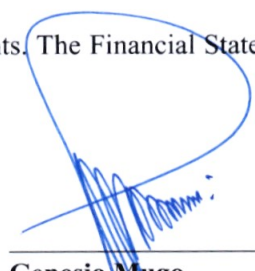
**15. Statement of Financial Position as at 30 June 2025**

<b>Assets</b>	<b>Notes</b>	<b>2024-2025 Kshs</b>	<b>2023-2024 Kshs</b>
<b>Current assets</b>			
Cash and cash equivalents	8	6,667,227	5,416,041
Current receivables from exchange transactions	9(b)	4,173,325	4,052,142
		<u>10,840,552</u>	<u>9,468,183</u>
<b>Non current assets</b>			
Long term receivables from exchange transactions	9(b)	41,522,392	42,781,579
		<u>41,522,392</u>	<u>42,781,579</u>
<b>Total assets</b>		<b><u>52,362,944</u></b>	<b><u>52,249,762</u></b>
<b>Liabilities</b>			
<b>Net assets</b>			
Accumulated surplus	10	327,809	214,627
Capital fund	11	52,035,135	52,035,135
		<u>52,362,944</u>	<u>52,249,762</u>
<b>Total net assets</b>		<b><u>52,362,944</u></b>	<b><u>52,249,762</u></b>

The notes set out on pages 6 to 17 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 17 were signed on behalf of the Board of Directors by:

  
**Dr. William Maritim**  
 Ag. Managing Director

  
**CPA. Edward Nyoike**  
 Fund Accountant  
 ICPAK Member No. 5668

  
**Genesio Mugo**  
 Chairman of the Board

Date: 01/12/2025

Date: 01/12/2025

Date: 01/12/25

**Kenya Dairy Board Staff Mortgage Scheme**  
**Annual Report and Financial Statements for the year ended 30 June 2025**

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

<b>Year ended 30 June 2025</b>	<b>Accumulated surplus Kshs</b>	<b>Capital Funds Kshs</b>	<b>Total Kshs</b>
<b>Balance as at 1 July 2024</b>	214,627	52,035,135	52,249,762
Surplus for the year	113,182	-	113,182
<b>As at 30 June 2025</b>	<b>327,809</b>	<b>52,035,135</b>	<b>52,362,944</b>

<b>Year ended 30 June 2024</b>	<b>Accumulated surplus Kshs</b>	<b>Capital Funds Kshs</b>	<b>Total Kshs</b>
<b>Balance as at 1 July 2023</b>	-	52,035,135	52,035,135
Surplus for the year	214,627	-	214,627
<b>As at 30 June 2024</b>	<b>214,627</b>	<b>52,035,135</b>	<b>52,249,762</b>

The notes set out on pages 6 to 17 form an integral part of these Financial Statements.

**Kenya Dairy Board Staff Mortgage Scheme**  
**Annual Report and Financial Statements for the year ended 30 June 2025**

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

<b>Cash flows from operating activities</b>	<b>Notes</b>	<b>2024-2025</b>	<b>2023-2024</b>
<b>Receipts</b>		<b>Kshs</b>	<b>Kshs</b>
Interest income	6	1,481,258	1,554,474
<b>Total receipts</b>		<b>1,481,258</b>	<b>1,554,474</b>
<b>Payments</b>			
Use of goods and services	7	1,368,076	1,339,847
<b>Total payments</b>		<b>1,368,076</b>	<b>1,339,847</b>
<b>Net cash flows from operating activities</b>	12	<b>113,182</b>	<b>214,627</b>
<b>Cash flow from investing activities</b>			
Proceeds from Loan principal repayments	9	3,761,348	3,212,328
Loan disbursements paid out	9	(2,623,344)	(7,371,905)
<b>Net cash flow used in investing activities</b>		<b>1,138,004</b>	<b>(4,159,577)</b>
<b>Cash flow from financing activities</b>			
Receipts into the Mortgage revolving fund		-	-
Interest credited to Staff Housing Mortgage Scheme Fund	11	-	-
<b>Net cash flows from financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,251,186</b>	<b>(3,944,950)</b>
Cash and cash equivalents at 1 July	8	5,416,041	9,360,991
<b>Cash and cash equivalents at 30 June</b>	8	<b>6,667,227</b>	<b>5,416,041</b>

The notes set out on pages 6 to 17 form an integral part of these Financial Statements.

**Kenya Dairy Board Staff Mortgage Scheme**  
**Annual Report and Financial Statements for the year ended 30 June 2025**

**18. Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 2025**

	Original Budget	Adjustment	Final Budget	Actual Performance	Performance difference
	2024-2025	2024-2025	2024-2025	2024-2025	2024-2025
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Revenue</b>					
Interest income	1,481,258	-	1,481,258	1,481,258	-
<b>Total revenue</b>	<b>1,481,258</b>	<b>-</b>	<b>1,481,258</b>	<b>1,481,258</b>	<b>-</b>
<b>Expenses</b>					
Use of goods and services	1,368,076	-	1,368,076	1,368,076	-
<b>Total expenditure</b>	<b>1,368,076</b>	<b>-</b>	<b>1,368,076</b>	<b>1,368,076</b>	<b>-</b>
<b>Surplus for the year</b>	<b>113,182</b>	<b>-</b>	<b>113,182</b>	<b>113,182</b>	<b>-</b>
<b>Loans advanced during the year</b>	<b>2,623,344</b>	<b>-</b>	<b>2,623,344</b>	<b>2,623,344</b>	<b>-</b>

The Scheme was not allocated to receive additional funding from Kenya Dairy Board, hence the expenditure as well as the loans advanced to staff during the year were made from the Scheme's available funds in line with existing policy guidelines and legal contract. The intended objectives and service delivery to the stakeholders were therefore achieved.

**Kenya Dairy Board Staff Mortgage Scheme**  
**Annual Report and Financial Statements for the year ended 30 June 2025**

**19. Notes to the Financial Statements**

**1. General information**

Kenya Dairy Board Staff Mortgage Scheme is established by and derives its authority and accountability from Section 24 (5) of the Dairy Industry Act Cap 336 and Salaries & Remuneration Commission (SRC) Circular No. SRC/ADM/CIR/1/13 Vol. III (128) of 17 December 2014. The Scheme is wholly owned by the Government of Kenya and is domiciled in Kenya. The Scheme’s principal activity is to provide housing loans to the staff members of the Kenya Dairy Board.

**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 Scheme’s accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5. 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, the Dairy Industry Act Cap 336, 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.**

<b>Standard</b>	<b>Effective date and impact</b>
<b>IPSAS 43: Leases</b>	<p><b>Applicable 1 January 2025</b></p> <p>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.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>The impacts of the change has been assessed and at the moment the same has no effect on the operations of the Scheme.</p>
<b>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</b>	<p><b>Applicable 1 January 2025</b></p> <p>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:</p>

**Kenya Dairy Board Staff Mortgage Scheme  
Annual Report and Financial Statements for the year ended 30 June 2025**

**Notes to the Financial Statements (continued)**

<b>Standard</b>	<b>Effective date and impact</b>
<b>IPSAS 44:</b> Non-Current Assets Held for Sale and Discontinued Operations... (Continued)	<p>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.</p> <p>The Scheme has neither assets held for sale nor discontinued operations hence the standard has no effect on its operations.</p>
<b>IPSAS 45:</b> Property Plant and Equipment	<p><b>Applicable 1 January 2025</b></p> <p>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.</p> <p>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.</p> <p>The impacts change has been assessed and at the moment the same has no effect on the operations of the Scheme, since the Fund has no assets under the category of Property, Plant and Equipment.</p>
<b>IPSAS 46:</b> Measurement	<p><b>Applicable 1 January 2025</b></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> <li>(i) Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii) Clarifying transaction costs guidance to enhance consistency across IPSAS.</li> <li>iii) Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p>The impacts of the change has been assessed and at the moment the same has no effect on the operations of the Scheme.</p>
<b>IPSAS 47:</b> Revenue	<p><b>Applicable 1 January 2026</b></p> <p>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.</p>

**Kenya Dairy Board Staff Mortgage Scheme**  
**Annual Report and Financial Statements for the year ended 30 June 2025**

**Notes to the Financial Statements (continued)**

<b>Standard</b>	<b>Effective date and impact</b>
<b>IPSAS 47: Revenue...</b> (continued)	The impacts of the change has been assessed in regard to reporting of useful information on revenue and related cash flows. At the moment, the same has no effect on the operations of the Scheme.
<b>IPSAS 48: Transfer Expenses</b>	<p><b>Applicable 1 January 2026</b></p> <p>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.</p> <p>The impacts of the change has been assessed and at the moment the same has no effect on the operations of the Scheme.</p>
<b>IPSAS 49: Retirement Benefit Plans</b>	<p><b>Applicable 1 January 2026</b></p> <p>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.</p> <p>The impacts of the change has been assessed and at the moment the same has no effect on the operations since the Scheme does not operate a retirement benefit plan.</p>
<b>IPSAS 50: Exploration For &amp; Evaluation of Mineral Resources</b>	<p><b>Applicable 1 January 2027</b></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <p>(i) Limited improvements to existing accounting practices for exploration and evaluation expenditures.</p> <p>(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.</p> <p>(iii) 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.</p> <p>The impacts of the change has been assessed and at the moment the same has no effect on the operations of the Scheme.</p>

**(iii) Early adoption of Standards**

The Scheme did not early - adopt any new or amended Standards in the financial year ended 30 June 2025.

**Kenya Dairy Board Staff Mortgage Scheme**  
**Annual Report and Financial Statements for the year ended 30 June 2025**

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**Notes to the Financial Statements (continued)**

**4. Summary of significant accounting policies**

**a) Revenue recognition**

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

**Transfers from Government and other 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 or 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 Scheme 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 earned for each period. The Scheme provides for interest from both utilised and unutilised funds and the same are recognised as interest revenue in the Statement of Financial Performance.

**b) Budget information**

The original budget for FY 2024-2025 was approved by The National Treasury and Economic Planning in June 2024 together with that of Kenya Dairy Board. The fund of the Scheme is enhanced gradually through budgetary appropriations from the Board's budget. No additional funding to the scheme was proposed during the year and neither subsequent revisions nor additional appropriations were made during the year.

The Scheme's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts, in the financial years where by the Board has provided for transfers to the Scheme.

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. Where applicable, a statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals expenditure for the year.

In the year ended 30 June 2025, the Board had not made any provision to transfer funds to the Scheme and hence the income, expenditure and the loans advanced were based on available fund held by the Scheme.

**Notes to the Financial Statements (continued)**

**c) Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Board does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the 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 Scheme 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.

**Kenya Dairy Board Staff Mortgage Scheme**  
**Annual Report and Financial Statements for the year ended 30 June 2025**

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**Notes to the Financial Statements (continued)**

**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.

**Loans and receivables**

Loans and 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 Scheme 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 Scheme recognizes a loss allowance for such losses at each reporting date. Based on the critical estimates and significant judgments made by management in determining the expected credit loss (ECL), there is impairment on loans since all loans are fully performing and KCB Bank Kenya Limited has registered a first charge against the properties acquired on each loan.

**ii) Financial liabilities**

**Classification**

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

**d) Contingent liabilities**

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

**e) Contingent assets**

The Scheme does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**f) Nature and purpose of reserves**

The Scheme creates and maintains reserves in terms of accumulated surplus and capital funds.

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

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

**Notes to the Financial Statements (continued)**

**h) Related parties**

The Scheme 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 Scheme, or vice versa. Members of key management are regarded as related parties and comprise the Staff Mortgage Advisory Committee, the Fund Managers, and Fund Accountant.

**i) Cash and cash equivalents**

Cash and cash equivalents comprise of cash at bank. Bank account balances include amounts held at the KCB Bank Kenya Limited and relate to the funds available for lending as at the end of the financial year.

**j) Comparative figures**

The Scheme started its operations in June 2018 and it is presenting its second segregated annual reports and financial statements in the year ended 30 June 2025. Previously, the operations of the Scheme have been reported under Annual Reports and Financial Statements for Kenya Dairy Board. The comparative figures for the year ended 30 June 2024 are in line with the Audited Report and Financial statements for the same year.

**k) Events after the reporting period**

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

**l) Ultimate and Holding Fund**

The Scheme is established under Section 24 (4) PFM Act under Kenya Dairy Board. Its ultimate parent is the Government of Kenya.

**m) Currency**

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

**5. Significant judgments and sources of estimation uncertainty**

The preparation of the Scheme'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.

**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 Scheme. Such changes are reflected in the assumptions when they occur.

**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 Scheme.
- 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

**Kenya Dairy Board Staff Mortgage Scheme**  
**Annual Report and Financial Statements for the year ended 30 June 2025**

**Notes to the Financial Statements (continued)**

<b>6. Interest income</b>	<b>2024-2025</b>	<b>2023-2024</b>
	<b>Kshs</b>	<b>Kshs</b>
Interest income from Mortgage Loans (Utilised funds)	1,367,950	1,339,474
Interest earned on Bank Deposits (Unutilised fund)	113,308	215,000
	<b><u>1,481,258</u></b>	<b><u>1,554,474</u></b>

Interest is charged on the Staff mortgage loans at a rate 3.0% p.a. The rate is calculated as the sum of the administration fee as described in Note 7 below, while the un-utilized deposit earns interest at 20% of the Central Bank Rate (CBR). Both the interest charged on loans and interest credited on unutilised fund are recognised as income to the Scheme. The amount of interest realised from the unutilised fund during the year was Kshs. 113,308 (FY 2023-2024 - Kshs. 215,000)

<b>7. Use of Goods and Services</b>	<b>2024-2025</b>	<b>2023-2024</b>
	<b>Kshs</b>	<b>Kshs</b>
Administration fees	1,367,950	1,339,474
Bank service charges	126	373
	<b><u>1,368,076</u></b>	<b><u>1,339,847</u></b>

KCB administers the Scheme at an administrative fee of 3.0% per annum on reducing balance basis. The administration fee is normally recovered from the monthly mortgage repayments as part of the interest on mortgage loans, hence interest income from utilised funds is equal to the administration fees for the year. Total administration fee charges during the year was Kshs. 1,367,950 (FY 2023-2024 - Kshs. 1,339,474)

<b>8. Cash and cash equivalents</b>	<b>2024-2025</b>	<b>2023-2024</b>
	<b>Kshs</b>	<b>Kshs</b>
Staff Housing Mortgage account	6,667,227	5,416,041
	<b><u>6,667,227</u></b>	<b><u>5,416,041</u></b>

**Detailed analysis of the cash and cash equivalents**

<b>Financial Institution</b>	<b>Account Number</b>	<b>2024-2025</b>	<b>2023-2024</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>(a) Staff Housing Mortgage Scheme</b>			
KCB Bank Kenya Limited	1233692348	6,667,227	5,416,041
<b>Total cash and cash equivalents</b>		<b><u>6,667,227</u></b>	<b><u>5,416,041</u></b>

<b>9. Receivables from exchange transactions</b>	<b>2024-2025</b>	<b>2023-2024</b>
	<b>Kshs</b>	<b>Kshs</b>
Balance brought forward	46,833,721	42,674,144
Loans advanced during the year	2,623,344	7,371,905
Loans repaid during the year	(3,761,348)	(3,212,328)
	<b><u>45,695,717</u></b>	<b><u>46,833,721</u></b>

**Kenya Dairy Board Staff Mortgage Scheme**  
**Annual Report and Financial Statements for the year ended 30 June 2025**

**Notes to the Financial Statements (continued)**

**9. Receivables from exchange transactions**

<b>(a) Ageing Analysis (Receivables from exchange transactions)</b>	<b>2024-2025 Kshs</b>	<b>% of the Total</b>	<b>2023-2024 Kshs</b>	<b>% of the Total</b>
Loans recoverable in 1 year	4,173,325	9.1%	4,052,142	8.7%
Loans recoverable between 1-2 years	4,299,450	9.4%	4,173,325	8.9%
Loans recoverable between 2-3 years	4,540,782	9.9%	4,299,450	9.2%
Loans recoverable in over 3 years	32,682,160	71.5%	34,308,804	73.3%
<b>Total</b>	<b>45,695,717</b>	<b>100.0%</b>	<b>46,833,721</b>	<b>100.0%</b>

<b>(b) Current and Long term loans receivables from exchange transactions</b>	<b>2024-2025 Kshs</b>	<b>% of the Total</b>	<b>2023-2024 Kshs</b>	<b>% of the Total</b>
Recoverable in 1 year (Current receivables)	4,173,325	9.1%	4,052,142	8.7%
Recoverable in more than 1 year (Long term)	41,522,392	90.9%	42,781,579	91.3%
<b>Total</b>	<b>45,695,717</b>	<b>100.0%</b>	<b>46,833,721</b>	<b>100.0%</b>

**10. Accumulated surplus**

This comprises of accumulated surplus over the years.

At start of the year

Surplus for the year

<b>2024-2025 Kshs</b>	<b>2023-2024 Kshs</b>
214,627	-
113,182	214,627
<b>327,809</b>	<b>214,627</b>

**11. Capital Fund**

Staff Housing Mortgage Scheme

<b>2024-2025 Kshs</b>	<b>2023-2024 Kshs</b>
52,035,135	52,035,135
<b>52,035,135</b>	<b>52,035,135</b>

**The Capital Funds movement during the year was as follows;**

	<b>2024-2025 Kshs</b>	<b>2023-2024 Kshs</b>
Balance brought forward	52,035,135	52,035,135
Additional funds received during the year	-	-
Interest credited to Staff Housing Mortgage Scheme Fund	-	-
<b>Balance carried forward</b>	<b>52,035,135</b>	<b>52,035,135</b>

**12. Net cash flows from operating activities**

Description

Surplus for the year before tax

**Net cash flow from operating activities**

<b>2024-2025 Kshs</b>	<b>2023-2024 Kshs</b>
113,182	214,627
<b>113,182</b>	<b>214,627</b>

**Kenya Dairy Board Staff Mortgage Scheme**  
**Annual Report and Financial Statements for the year ended 30 June 2025**

**Notes to the Financial Statements (continued)**

**13. Financial risk management**

The Scheme's activities expose it to a variety of financial risks including credit and liquidity risks. The Scheme's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Scheme hedge the financial risks by KCB registering first legal charge over the properties as primary security for the Mortgage Loan. Similarly, prior to the disbursement of Mortgage Loan funds KCB Bank is required to arrange at the expense of the Borrower, a mortgage protection insurance cover for each Borrower for the full amount advanced and a comprehensive house owners cover for the full market value of the property for which the Mortgage Loan is advanced.

The Scheme's financial risk management objectives and policies are detailed below;

**(a) Credit risk**

The Scheme 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 as well as mortgage loans advanced to Kenya Dairy Board Staff.

KCB Bank 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 KCB Bank who are the administrators of the fund. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Scheme's management based on prior experience and their assessment of the current economic environment.

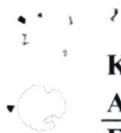
The carrying amount of financial assets recorded in the financial statements representing the Schemes' maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

<b>Financial assets</b>	<b>Total amount</b>	<b>Fully Performing</b>	<b>Past due</b>	<b>Impaired</b>
<b>At 30 June 2025</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Receivables from exchange transactions - Loans	45,695,717	45,695,717	-	-
Cash and cash equivalents	6,667,227	6,667,227	-	-
	<b>52,362,944</b>	<b>52,362,944</b>	-	-

<b>Financial assets</b>	<b>Total amount</b>	<b>Fully Performing</b>	<b>Past due</b>	<b>Impaired</b>
<b>At 30 June 2024</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Receivables from exchange transactions - Loans	46,833,721	46,833,721	-	-
Cash and cash equivalents	5,416,041	5,416,041	-	-
	<b>52,249,762</b>	<b>52,249,762</b>	-	-

All the beneficiary staff are under the fully performing category and are paying their loans as they continue working for the Board. The credit risk associated with these receivables is minimal and no allowance for uncollectible amounts has been recognised by the Scheme in the financial statements since there no potential irrecoverable amounts. The Scheme has significant no concentration of credit risk on amounts due from either of the loan beneficiaries.

The Staff Mortgage Advisory Committee sets the Scheme's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.



**Notes to the Financial Statements (continued)**

**(b) Liquidity risk management**

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

The Scheme did not have cash flows payable under non-derivative financial liabilities by their remaining contractual maturities at the reporting date.

**(c) Market risk**

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

Kenya Dairy Board (KDB) has put in place an internal audit function to assist it in assessing the risk faced by the Scheme 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, which will affect the Scheme's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the SMAC. The Fund's SMAC is also responsible for the development of detailed risk management policies (subject to review and approval by the Board members of Kenya Dairy Board) and for the day-to-day implementation of those policies.

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

**(d) Interest rate risk**

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

***Management of interest rate risk***

To manage the interest rate risk, Board has endeavoured to bank the funds for the Scheme with institutions that offer favourable interest rates.

***Sensitivity analysis***

The Scheme analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on surplus or deficit 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 years.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if there is a change in current floating interest would cause no change in surplus since the interest is calculated as the sum of the administration fee. However, should the Central Bank Rate decrease by one percentage point would cause a decrease in interest credited to the fund from Kshs. 113,308 to Kshs. 103,082. A rate decrease of 5% would result in a decrease in the interest credited from Kshs. 113,308 to Kshs. 62,176.



**Kenya Dairy Board Staff Mortgage Scheme**  
**Annual Report and Financial Statements for the year ended 30 June 2025**

**Notes to the Financial Statements (continued)**

**Capital risk management**

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

	<b>2024-2025</b>	<b>2023-2024</b>
	<b>Kshs</b>	<b>Kshs</b>
Revolving fund	52,035,135	52,035,135
Accumulated surplus	327,809	214,627
<b>Total funds</b>	<b>52,362,944</b>	<b>52,249,762</b>
Less: Cash and bank balances	(6,667,227)	(5,416,041)
Net Shareholder equity	45,695,717	46,833,721
<b>Gearing</b>	<b>87.3%</b>	<b>89.6%</b>

**14. Related Party Balances**

**(a) Nature of related party relationship**

Entities and other parties related to the Scheme include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The scheme is related to the following entities:

- i) Kenya Dairy Board
- ii) Key Management to Kenya Dairy Board
- iii) Staff Mortgage Advisory Committee (SMAC)

**(b) Related party transactions**

	<b>2024-2025</b>	<b>2023-2024</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>(i) Transfers to and from related parties</b>		
Transfer from Kenya Dairy Board during the year	-	-
Cumulative transfers from Kenya Dairy Board	50,000,000	50,000,000
<b>(ii) Key management transactions</b>		
Loans advanced to Key Management and SMAC	2,623,344	-
Loans recovered from Key Management and SMAC	2,121,587	1,960,968
<b>(iii) Due from related parties</b>		
Staff Housing Mortgage Loans due from Key management and SMAC	18,455,920	17,954,163

**15. Events after the reporting period**

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

**16. Ultimate Holding Entity**

The Scheme is a Fund under the sponsorship of Kenya Dairy Board which is a Semi Autonomous Government Agency (SAGA) under the Ministry of Agriculture and Livestock Development.

**17. Currency**

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

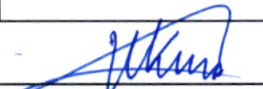
**Kenya Dairy Board Staff Mortgage Scheme**  
**Annual Report and Financial Statements for the year ended 30 June 2025**

**20. Annexes**

**Annex I: Progress on Follow-Up of Prior Year Auditor's Recommendations**

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

Reference No. on the external Audit Report	Issue / Observations from the Auditor	Management Comments	Status:	Timeframe
<b>Basis for Qualified Opinion:</b> Unconfirmed Opening Balances and Comparatives Amounts	<p>The 2023/2024 financial statements for Kenya Dairy Board Staff Mortgage Scheme reflect comparatives amounts and balances. However, Management did not submit for audit the financial statements for 2022/2023 financial year for audit.</p> <p>In the circumstances, the completeness and accuracy of the opening balances for financial year and the comparative figures reflected under year 2022/2023 could not be confirmed.</p>	<p>Kenya Dairy Board Staff Mortgage Scheme was not audited as an independent entity in the financial year 2022/2023. However, the state of affairs of the Scheme was presented and audited under the Kenya Dairy Board annual report and financial statements for the year ended 30th June 2023</p> <p>The Scheme presented its first segregated annual reports and financial statements in the year ended 30 June 2024. The comparative figures for the financial year ended 30<sup>th</sup> June 2023 were restated or reconfigured to conform to the required changes in presentation and to present the state of affairs of the Scheme as reported under Kenya Dairy Board Annual Report and financial statements for the year ended 30 June 2023. In addition, the comparative figures in the annual report and financial statements for the year ended 30 June 2025 under year 2023-2024 are as per the audited financial statements for the same year.</p>	Resolved	N/A

  
**Dr. William Maritim**  
 Ag. Managing Director



**Kenya Dairy Board Staff Mortgage Scheme  
Annual Report and Financial Statements for the year ended 30 June 2025**

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**Annexes... (continued)**

**Annex II: Inter-Fund Confirmation Letter**

The Scheme did not have any inter-entity amounts disbursed to or received from any other entity as at 30 June 2025.

**Annex III: Reporting of Climate Relevant Expenditures**

The Scheme did not incur any expenditures on any climate relevant activities for period ended 30 June 2025.

**Annex IV: Reporting on Disaster Management Expenditure**

The Scheme did not incur any expenditures relating to any disasters within the period ended 30 June 2025.