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ON

**RURAL ELECTRIFICATION AND RENEWABLE
ENERGY CORPORATION (REREC) STAFF
MORTGAGE AND CAR LOAN SCHEME**

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

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 01 APR 2026	DAY: WEDNESDAY
TABLED BY:	HON. DR. ROBERT FUKOSE, MP
CLERK-AT-THE-TABLE:	CHRISTINE NDIRITU

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RURAL ELECTRIFICATION AND RENEWABLE ENERGY CORPORATION
STAFF MORTGAGE AND CAR LOAN SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2025

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

*Rural Electrification and Renewable Energy Corporation staff mortgage and Car loan Scheme
Annual Report and Financial Statements For the Year Ended 30th June 2025*

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1. Acronyms and Definition of Key Terms

A. Acronyms

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

B. Definition of Key Terms

Fiduciary management- Members of management entrusted directly with the responsibility and trust for the Scheme's financial resources.

Accrual basis - a basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recorded in the accounting records and recognized in the financial statements of the periods to which they relate. The elements recognized under accrual accounting are assets, liabilities, net assets/equity, revenue and expenses.

Assets are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets/equity, other than those relating to distributions to owners.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets/equity, other than increases relating to contributions from owners.

2. Key Fund information and management

a) Background information

The Rural Electrification and Renewable Energy Corporation (REREC) was established as a State Corporation under section 43 of the Energy Act of 2019. Upon its establishment, REREC succeeded the Rural Electrification Authority, which was originally constituted under section 66 of the now-repealed Energy Act No. 12 of 2006. As a result, all rights, duties, obligations, assets, and liabilities of the Rural Electrification Authority were automatically and fully transferred to REREC. Furthermore, any reference to the Rural Electrification Authority in any contract or document is now considered a reference to the Corporation established under the 2019 Act.

The Staff Mortgage and Car Loan Scheme is a revolving fund for REREC staff established pursuant to the Salaries and Remuneration Commission circular number SRC/ADM/CIR/1/13 Vol. III (128) dated 17 December, 2014. This circular provides comprehensive directives for the provision of car loan and mortgage benefits to state and public officers, ensuring standardized access across government entities.

Further, the Scheme was established and administered as provided under Section 24 (6) (7) of the PFM Act, 2012 and Section 127 (1) (2) of the PFM (National Government) Regulations, 2015.

This circular provides comprehensive directives for the provision of car loan and mortgage benefits to state and public officers, ensuring standardized access across government entities.

The Salaries and Remuneration Commission in its circular reference SRC/ADM/CIR/1/13 Vol. III (128) dated 17 December, 2014 provided guidelines for access of Mortgage and Car Loan benefits by state and public officers. Arising therefrom, the Corporation approved and adopted the Guidelines for REREC Staff Mortgage and Car Loan Scheme.

Section 84 of the Public Finance Management (PFM) Act 2012 mandates the administrator of public funds to prepare annual financial statements of the Scheme. For proper management of the Scheme and as advised by the Salaries and Remuneration Commission in the circular under the reference, the Corporation developed Staff Mortgage and Car loan Scheme Guidelines and

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adopted the PFM Act, 2012 and PFM Regulations, 2015 to guide in the operationalization of the Scheme.

The Scheme is wholly owned by the REREC and is domiciled in Kenya.

b) Principal Activities

The principal activity of the scheme is to administer mortgage and car loan facilities for staff members. This includes providing loans for the purchase and development of residential houses and for acquiring motor vehicles for personal use.

The scheme Administrator oversees the operations of the scheme. The scheme Administration Committee which is charged with the responsibility of processing loans from applicants in accordance with laid down approved regulations, setting up a revolving Fund for the disbursement of loans and supervising the day-to-day operations of the Fund.

The key objectives of the Rural Electrification and Renewable Energy Corporation mortgage and car loan Scheme are to:

- a) Provide loan facility for purchase and development of residential houses.
- b) Provide loan facility for purchase of motor vehicles for personal use.

c) Scheme Administration Committee

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

SN	Position	Name
1	Chairperson	CS Dr. Rose N Mkalama
2	Scheme Administrator & Secretary to the Administration Committee	CHRP Everlyn Koech
3	Committee Member	CPA Davis Cheruiyot
4	Committee Member	Dr Eng. James Muriuki
5	Committee Member	CPA Hassan Alhaji Yusuf Suleiman
6	Committee Member	Eng Tom Fred Ishugah
7	Committee Member	Dr David Gitonga
8	Committee Member	CHRP Beatrice Njuguna

ii) Key Management

SN	Position	Name
1	CEO and Chairperson of the Management Team	CS Dr. Rose N. Mkalama
2	Scheme Administrator	CHRP Everlyn Koech
3	Scheme Financial Advisor	CPA Davis K. Cheruiyot

d) Fiduciary Oversight Arrangements

The Corporation has implemented key fiduciary oversight arrangements through its Audit Committee, which is responsible for supervising the Secretariat's activities. The committee is chaired by an independent individual who is not an employee of the Corporation, and includes one scheme Committee member. This structure ensures impartiality and high standards of oversight.

During the financial year ending 30th June 2025, the Audit Committee members were carefully chosen to ensure effective oversight of the Mortgage and Car Loan Scheme. Their role includes reviewing financial statements, overseeing internal audits, and ensuring regulatory compliance to maintain transparency and accountability.

The committee's responsibilities extend to assessing the scheme's risk management processes and ensuring that financial practices are in line with best practices and legal requirements. This rigorous oversight helps safeguard the integrity and effectiveness of the scheme.

No.	Position	Name
1	Chairperson, Audit Committee	Mr. Mark Nderitu
2	Audit Committee Member	Ms. Wendy Nguyu
3	Audit Committee Member	Dr. Charles Owino
4	Secretary to the Committee	CPA Hassan Alhaji Yusuf

e) Registered Offices

Kawi House, Off Red Cross Road, South C
P.O Box 34585 - 00100,
Telephone: (254) 709 193000/3600
E-mail: info@rrec.co.ke
Website: www.rrec.co.ke

f) Scheme Contacts

Telephone: (254) 709 193000/3600
E-mail: info@rrec.co.ke
Website: www.rrec.co.ke

g) Scheme Banker and Fund Managers

Stima DT Sacco Society Limited.
Kawi Branch - Nairobi Kawi Complex,
South C Bellevue, Off Mombasa Road, Off Red Cross Road
Telephone: 0703 024 852/3
Email: kawibranch@stima-sacco.com

Member No: 1041652
Account No: 801104165201-0
Account Product: Prime Account

Stima DT Sacco Society Limited Associated commercial bank:
Bank Name: Co-operative Bank of Kenya Limited.
Account Name: Stima Sacco Ltd - Front Office Service Activity
Branch: Mombasa Road Branch
Account No. 01120069062620
Nairobi - Kenya.

h) Auditor

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



i) 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. Scheme Administration Committee

Name	Details of qualifications and experience
 <p data-bbox="293 757 612 875">CS Dr. Rose N. Mkalama Chairperson, Scheme Administration Committee</p>	<p data-bbox="730 322 1406 584">CS Dr. Rose Mkalama, serves as both the Chairperson of the Scheme Administration Committee and the Chief Executive Officer of the Corporation. In these roles, she provides strategic leadership, ensures robust governance and compliance, and oversees the scheme's operations to effectively achieve its objectives and serve the best interests of the staff.</p> <p data-bbox="730 629 1406 815">She holds a doctorate in Business Administration (PhD), a Master of Business Administration (MBA), and a Bachelor's degree in Laws (LLB) all from the University of Nairobi. Additionally, she hold a Master of Laws in oil and gas (LLM, oil and Gas) from Strathmore University.</p> <p data-bbox="730 860 1406 1003">She is also a Certified Utility Management Specialist having qualified from the Institute of Public –Private Partnerships and the Water Engineering and Development Centre of Loughborough University- Washington DC.</p> <p data-bbox="730 1048 1406 1108">Dr. Mkalama is an Advocate of the High Court of Kenya and a Certified Secretary of Kenya (ICPSK).</p>
 <p data-bbox="293 1592 711 1720">CHRP Everlyn Chepkorir Koech Scheme Administrator & Secretary to the Administration Committee</p>	<p data-bbox="730 1122 1406 1384">CHRP Everlyn Chepkorir Koech was appointed as the Scheme Administrator and Secretary to the Administration Committee, effective February 28, 2025. She has been an integral part of the Corporation since May 2018, serving as the Manager of Human Resources and currently holding the position of Acting General Manager, Human Resources and Administration.</p> <p data-bbox="730 1429 1406 1720">In her role, she is responsible for overseeing the Corporation's Human Resource Management, including HR planning, recruitment and selection, employee welfare, training and development, and retention strategies. She also plays a key role in providing administrative support, managing operational tasks, coordinating meetings, and ensuring the seamless functioning of the Scheme Administration Committee.</p>

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	<p>She holds an MBA in Human Resource Management from Kabarak University, a Bachelor's Degree in Human Resource Management from Kenya Methodist University, and a Diploma in Human Resource Management from the Institute of Human Resource Management (IHRM).</p> <p>She is also a member of IHRM, demonstrating her commitment to professional excellence in human resource and administrative management.</p>
 <p>CPA Davis K. Cheruiyot Scheme Administration Committee Member</p>	<p>CPA Davis Cheruiyot is a member of the Scheme Administration Committee and serves as the General Manager of the Finance and ICT Directorate.</p> <p>He has been with the organization since May 2018, starting as the Manager of Finance and Accounts before advancing to his current role. In addition to overseeing the departments, he provides financial advisory services to the scheme committee.</p> <p>He holds a Master of Science in Finance and Investment (MSFI) and a Bachelor of Business Administration in Finance and Accounting, both from Kenya Methodist University (KEMU).</p> <p>He is also a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).</p>
 <p>Dr. Eng. James Muriuki Scheme Administration Committee Member</p>	<p>Dr. Eng. James Muriuki is a member of the Scheme Administration Committee and serves as the General Manager of Power Distribution and Regional Coordination. He ensures that identified projects are designed and implemented on time and adhere to high-quality design standards.</p> <p>Dr. Eng. Muriuki holds a Ph.D. in Electrical Engineering, Master of Science in Electrical Engineering, Master of Science in project management from JKUAT and a Bachelor of Science degree in Electrical & Electronic Engineering from the same institution.</p> <p>He is a certified Professional Engineer and a member of the Engineering Board of Kenya (EBK), a corporate</p>

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	<p>member of the Institution of Engineers of Kenya (IEK), and a licensed Electrician by the Energy and Petroleum Regulatory Authority (EPRA) with Class A1 certification.</p>
 <p>CPA Hassan Alhaji Yusuf Scheme Administration Committee Member</p>	<p>CPA Hassan Yusuf is a member of the Scheme Administration Committee and is responsible for internal audit strategies, plans, policies, and systems. He supervises periodic reviews of both financial and non-financial operations to ensure compliance and effectiveness.</p> <p>He is also a Lead Auditor for both Quality Management Systems and Information Security Management Systems ISO/IEC. As a professional accountant, he has extensive experience in auditing, risk management, accounting, and finance.</p> <p>He has previously worked with public institutions such as the now-defunct Kenya Post and Telecommunications and Lake Victoria North Water Works Agency.</p> <p>He is a member of the Institute of Internal Auditors (IIA), the Institute of Certified Public Accountants of Kenya (ICPAK), and, most recently, an affiliated member of the Institute of Risk Management (IRM).</p>
 <p>Eng. Tom Fred Ishugah Scheme Administration Committee Member</p>	<p>Eng. Fred Ishugah is a member of the Scheme Administration Committee. He is responsible for the strategic and operational leadership of the corporations Renewable and Alternative Energy mandates.</p> <p>He holds a Master of Science in Engineering from Shanghai Jiao Tong University and a Bachelor of Science in Energy Engineering.</p> <p>He is a Certified Energy Manager with the Association of Energy Engineers, a Registered Environmental Impact Assessment Expert with NEMA, and a member of the Association of Energy Professionals Eastern Africa and IETTK.</p>



Dr. David Gitonga
Scheme Administration Committee
Member

Dr David Gitonga is a member of the Scheme Administration Committee. He is responsible for driving the corporation core business of rural electrification through applied research and strategy development, planning and evaluation of project impacts, development of alternative revenue streams and management of corporate quality management system and risk management.

He holds a Bachelor of Science in Civil Engineering (Hons) from Jomo Kenyatta University of Agriculture and Technology (JKUAT), a Master's Degree in Integrated Water Resources Management from the University of Dar-es-Salaam, and a Doctor of Philosophy (PhD) in Disaster Management and Humanitarian Assistance from Masinde Muliro University of Technology (MMUST).



CHRP Beatrice Njuguna
Scheme Administration Committee
Member



CHRP Beatrice Njuguna is a member of the Scheme Administration Committee. She is responsible for the management of communication and publicity related to the Corporation's mandate, ensuring effective engagement with all stakeholder groups.


Additionally, she spearheads advocacy programs aimed at securing strategic partnerships to facilitate successful project implementation.

She holds a Bachelor of Business Management (BBM) with a focus on Human Resource Management, a Master's in Public Administration specializing in Public Policy and Administration, and a Diploma in Human Resource Management.

She is a member of the Institute of Human Resource Management (IHRM) and has completed several key trainings in Governance and Leadership.

4. Management Team

Name	Details of qualifications and experience
 <p>CS. Dr. Rose N. Mkalama CEO and Chairperson of the Management Team</p>	<p>CS Dr. Rose Mkalama, serves as both the Chairperson of the Scheme Management Team and the Chief Executive Officer of the Corporation. In these roles, she provides strategic leadership, ensures robust governance and compliance, and oversees the scheme's operations to effectively achieve its objectives and serve the best interests of the staff.</p> <p>She holds a doctorate in Business Administration (PhD), a Master of Business Administration (MBA), and a Bachelor's degree in Laws (LLB) all from the University of Nairobi. Additionally, she hold a Master of Laws in oil and gas (LLM, oil and Gas) from Strathmore University.</p> <p>She is also a Certified Utility Management Specialist having qualified from the Institute of Public –Private Partnerships and the Water Engineering and Development Centre of Loughborough University- Washington DC.</p> <p>Dr. Mkalama is an Advocate of the High Court of Kenya and a Certified Secretary of Kenya (ICPSK).</p>
 <p>CHRP Everlyn Koech Ag. General Manager, HR/Admin and Scheme Administrator</p>	<p>CHRP Everlyn Chepkorir Koech was appointed as the Scheme Administrator, effective February 28, 2025. She brings extensive experience in human resource management and administration, having served as the Manager of Human Resources since May 2018 and currently holding the position of Acting General Manager, Human Resources and Administration.</p> <p>As Scheme Administrator, she is responsible for the day-to-day management and operational oversight of the scheme, ensuring efficient administration and adherence to governance frameworks. She oversees member onboarding, policy implementation, and compliance with regulatory requirements while enhancing stakeholder engagement. Additionally, she facilitates the Scheme Administration Committee's operations by managing</p>

	<p>administrative tasks, coordinating meetings, and ensuring smooth service delivery to scheme beneficiaries.</p> <p>CHRP Koech holds an MBA in Human Resource Management from Kabarak University, a Bachelor's Degree in Human Resource Management from Kenya Methodist University, and a Diploma in Human Resource Management from the Institute of Human Resource Management (IHRM). She is also a member of IHRM, reinforcing her expertise in HR governance and scheme administration. Her leadership ensures the scheme's effective management, sustainability, and alignment with best practices in human capital administration.</p>
 <p>CPA Davis K. Cheruiyot General Manager, Finance & ICT and Scheme Financial Advisor</p>	<p>CPA Davis Cheruiyot is a distinguished financial expert serving as the General Manager of the Finance and ICT Directorate and a key member of the Scheme Administration Committee. Since joining the organization in May 2018, he has played a pivotal role in financial management, initially as the Manager of Finance and Accounts before advancing to his current leadership position.</p> <p>In addition to overseeing the Finance and ICT functions, he provides strategic financial advisory services to the Scheme Administration Committee, ensuring the scheme's financial sustainability and operational efficiency.</p> <p>In his advisory role, CPA Cheruiyot is responsible for strategic financial oversight, guiding investment strategies, monitoring loan disbursements and repayments, and ensuring strict compliance with financial regulations. He assesses financial risks, formulates mitigation measures, and ensures the prudent utilization of scheme funds. Additionally, he oversees preparation of financial reports and forecasts, leveraging data-driven insights to support informed decision-making, optimize resource allocation, and sustain the scheme's long-term financial health.</p> <p>He holds a Master of Science in Finance and Investment (MSFI) and a Bachelor of Business Administration in</p>

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	Finance and Accounting, both from Kenya Methodist University (KEMU). He is a Certified Public Accountant (CPA) and an active member of the Institute of Certified Public Accountants of Kenya (ICPAK).
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5. Chairperson's Report

Introduction

I am delighted to present a comprehensive overview of our achievements, challenges, and strategic outlook for the financial year 2024/25.

The Scheme is a revolving fund for REREC Staff established pursuant to Salaries and Remuneration Commission Circular Number SRC/ADM/CIR/1/13 Vol. III (128) dated December 17, 2014, operates under the provisions of Section 24 (6) (7) of the Public Finance Management (PFM) Act, 2012 and Section 127 (1) (2) of the PFM (National Government) Regulations, 2015.

The Scheme was operationalized following approval by the Corporation Board during its 54th meeting on March 16, 2023. It is designed to enhance employee welfare by providing access to low-interest credit facilities for acquiring residential properties and personal motor vehicles. This support offers employees a sense of stability and security, facilitating their transportation needs and enabling them to focus more effectively on our mission of expanding rural electrification and promoting renewable energy.

An initial seed capital of Kshs. 300 million was transferred to Stima DT Sacco Society Ltd on October 9, 2023, during the 2023/24 financial year, to operationalize the REREC Staff Mortgage and Car Loan Revolving Fund.

During the current financial year, an additional capital injection of Kshs. 49.982 million was made, bringing the total capital contributed to Kshs. 349.982 million as at June 30, 2025. These funds are managed by the Sacco under an agreement to administer mortgage and car loan facilities to qualifying staff on behalf of REREC.

The Scheme is administered by the Administration Committee, which evaluates and recommends applications for processing in accordance with the regulations. To support the Administration Committee, the Corporation Board has engaged Stima DT Sacco Society Ltd to provide professional advisory services, including financial, legal, and valuation expertise.

Successes Achieved

Since the inception of the Scheme, we have made significant strides in improving the lives of our employees. Key successes include:

- i) **Increased Employee Satisfaction:** The scheme has led to a marked increase in employee satisfaction and morale. By offering competitive mortgage and car loan options, we have enabled many employees to achieve homeownership and secure reliable transportation.
- ii) **Enhanced Productivity:** With the financial burden of housing and transportation reduced, employees have been able to concentrate better on their work, leading to increased productivity and efficiency in our operations.
- iii) **Attractive Employment Proposition:** The scheme has made REREC a more attractive employer, aiding in the recruitment and retention of top talent. This has been crucial in building a dedicated workforce committed to our vision and goals.
- iv) **Successful Loan Disbursement:** As of the end of the financial year, we have successfully disbursed seventeen (17) mortgage loans and thirteen (13) car loans, amounting to Kshs. 184,850,000 and Kshs. 24,545,000, respectively. Cumulatively, since the inception of the scheme, a total of twenty-eight (28) mortgage loans and twenty-three (23) car loans have been disbursed, totaling Kshs. 317,700,420 and Kshs. 45,995,000, respectively. These figures reflect our continued commitment to supporting the financial well-being and empowerment of our employees.

Challenges Faced

Despite the successes, the implementation of the Mortgage and Car Loan Scheme has not been without challenges:

- i) **Financial Constraints:** The allocation of significant funds towards the loan scheme highlights our commitment to supporting key initiatives. While balancing these investments with other operational and project expenditures presents challenges, it also underscores our dedication to managing resources effectively and prioritizing strategic objectives.
- ii) **Eligibility and Accessibility:** Ensuring fair and equitable access to the loan scheme for all employees has been a challenge. Some employees have faced difficulties in meeting

eligibility criteria, leading to dissatisfaction among those who could not benefit immediately.

- iii) **Non-compliance with Scheme Requirements by Applicants:** Some applicants have failed to meet the stipulated eligibility criteria and documentation requirements, causing delays and potential rejections of their applications. This highlights the need for better guidance and communication to ensure adherence to the Scheme's standards.
- iv) **Extended Processing Time for Loan Applications:** The current loan application processing time is longer than expected. We are actively working to refine and expedite our procedures to ensure a faster and more efficient experience for our applicants.

Future Outlook

Looking ahead, we are committed to refining and expanding the scheme to better serve our employees. Our future plans include:

- i) **Enhanced Financial Education:** To further support our employees in managing their loans effectively, we have introduced ongoing financial literacy programs. These initiatives are designed to equip staff with essential skills in budgeting, saving, and investment strategies, empowering them to make informed and responsible financial decisions.
- ii) **Expansion of the Scheme:** Based on feedback and demand, we aim to broaden the scope of the loan scheme, potentially enhancing the financial thresholds and introducing additional benefits such as refinancing options.
- iii) **Sustainable Funding:** To ensure the long-term sustainability of the scheme, we will explore partnerships and alternative funding sources, reducing the financial strain on REREC's core operations.

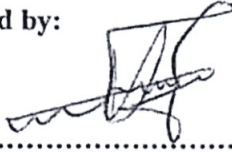
Conclusion

In conclusion, the Mortgage and Car Loan Scheme has been a pivotal initiative for REREC, significantly contributing to employee welfare and organizational success. While we have faced challenges, our commitment to continuous improvement and innovation will guide us in overcoming these obstacles and achieving greater heights in the future.

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I extend my heartfelt gratitude to our dedicated employees, management team, and stakeholders for their unwavering support and contribution to the success of this scheme. Together, we will continue to drive forward our mission of rural electrification and renewable energy adoption.

Signed by:



.....

Date: 29th August 2025



CS. Dr. Rose N. Mkalama
Chairperson, Scheme Administration Committee

6. Report of the Scheme Administrator

Introduction

I am pleased to present the financial statements for the year ended 30th June 2025, in compliance with Section 84 (2) of the Public Finance Management Act, 2012, and incorporating guidance from the Public Service Commission (PSC) guidelines, Human Resource Policies, Treasury circulars, and other relevant statutes and regulations concerning the administration of mortgage and car loan schemes. The objective of the Rural Electrification and Renewable Energy Corporation (REREC) Mortgage and Car Loan Scheme is to enable staff to acquire residential houses and personal motor vehicles by providing access to low-interest credit facilities, thus facilitating their transport to work.

As the Fund Administrator of the Scheme, I am honored to present a detailed report on the Mortgage and Car Loan Scheme. This report will elaborate on the successes, challenges, and future outlook of the scheme, as well as provide overview of the financial performance of the fund for the financial year 2024/25.

Detailed Analysis of Successes Achieved

The Mortgage and Car Loan Scheme has proven to be a transformative initiative for REREC and its employees. Below are detailed highlights of our successes:

(i) Loan Disbursement and Uptake:

- An initial seed capital of Kshs. 300 million was deposited with Stima DT Sacco Society Ltd in the 2023/24 financial year. The Sacco serves as the fund manager for the Mortgage and Car Loan Scheme, which operates under a structured framework established between REREC and Stima DT Sacco Society Ltd.
- To accommodate increasing demand and support new loan applications, an additional Kshs. 49.982 million was injected into the Scheme during the current financial year.
- As of the end of the 2024/25 Financial Year, a total of Kshs. 317,700,420 in mortgage loans and Kshs. 45,995,000 in car loans has been disbursed, amounting

to Kshs. 363,695,420 in total disbursements. These funds have benefited a significant portion of our workforce.

- The uptake of the scheme has been overwhelmingly positive, with a high application rate indicating strong employee interest and trust in the program.

(ii) Impact on Employee Welfare:

- The scheme has facilitated homeownership for twenty-eight (28) employees, providing them with stability and a sense of security. Additionally, twenty-three (23) employees have acquired vehicles, improving their mobility and reducing commute-related stress.
- The implementation of the scheme has significantly enhanced job satisfaction and motivation among employees, as evidenced by positive feedback from participants. The benefits and support provided through the scheme have contributed to a more engaged and motivated workforce, reflecting the scheme's effectiveness in addressing employee needs and boosting overall morale

(iii) Organizational Benefits:

- Enhanced employee satisfaction has resulted in a notable boost in productivity, with higher engagement in the loan scheme showing marked improvements in performance metrics.
- The scheme has proven to be an effective tool for talent acquisition and retention, resulting in reduced employee turnover and an improved quality of job applicants.

Challenges Faced and Mitigation Strategies

While the scheme has been successful, several challenges have emerged during its implementation:

(i) Financial Constraints:

- Allocating funds for the loan scheme has necessitated a substantial initial investment, reflecting our strategic commitment to advancing crucial initiatives. While this investment has placed pressure on REREC's overall budget, it underscores our proactive approach to resource management and our dedication to ensuring the scheme's success and long-term viability.

- To mitigate this, we have introduced a phased disbursement plan, allowing us to manage cash flow more effectively while still meeting the needs of our employees.

(ii) Eligibility and Accessibility:

- Ensuring fair access to the scheme posed difficulties, as some employees struggled to meet the stringent eligibility criteria.
- In response, we have revised the eligibility criteria to make them more inclusive, without compromising the financial stability of the scheme. We have also introduced an appeals process for employees who initially did not qualify.

(iii) Economic Environment:

- Changes in the economic environment, including inflation, have influenced the affordability of the loans. Despite offering loans at a fixed interest rate, which shields borrowers from interest rate fluctuations, we remain committed to supporting our employees through these challenges. Our focus is on ensuring that the loan terms remain beneficial and sustainable for our borrowers, adapting to economic conditions as needed.
- In accordance with SRC guidelines, we have introduced flexible repayment options and interest rate caps to help employees manage their loan repayments more effectively.

Financial Performance Overview

The financial performance of the Mortgage and Car Loan Scheme for FY 2024/25 has been robust, reflecting prudent management and strategic planning:

i) Revenue and Expenditure:

- The fund generated a net surplus after tax of Kshs. 1,399,897 for the year, primarily driven by interest income earned on disbursed loans and interest accrued on the unutilized balance of the revolving fund. This surplus underscores the financial sustainability of the Scheme and its potential for continued growth and support of employee welfare initiatives.

- Total non-exchange revenue for the period includes a Kshs. 49.982 million transfer from REREC, funded through the Corporation's budget via the Exchequer. This allocation was aimed at accommodating the increasing demand for the Mortgage and Car Loan Scheme and enabled the injection of an additional Kshs. 49.982 million into the Scheme to support new loan applications.
 - Total operating costs, including administrative expenses and Provision for Doubtful Debts amounted to Kshs.5,630,888.
- ii) **Fund Balance (Cash and Cash equivalents):**
- As of the end of the financial year, the fund reported a closing balance of Kshs. 10,481,783. This balance represents the unutilized portion of the revolving fund, comprising funds not yet disbursed as loans. The availability of this balance ensures continued liquidity of the Scheme, enabling it to meet ongoing and future loan demands without delays. It also reflects prudent financial management and effective utilization of resources under the fund management framework.
- iii) **Risk Management:**
- Risk Management Framework: We have implemented a comprehensive risk management framework through Stima DT Sacco to monitor and mitigate potential risks, including credit risk, market risk, and operational risk. This framework ensures proactive identification, assessment, and management of risks to safeguard the fund's stability and performance.
 - Audit and Financial Review Practices: Regular audits and financial reviews have been conducted to ensure transparency and accountability in the management of the fund.

Future Outlook

Looking forward, we have several strategic initiatives planned to enhance and expand the Scheme:

(i) **Financial Literacy Programs:**

To support employees in managing their finances effectively, we will launch comprehensive financial literacy programs. These programs will cover budgeting, saving,

investing, and debt management, empowering employees to make informed financial decisions.

(ii) Scheme Expansion:

- Based on feedback and demand, we plan to expand the scheme to include additional benefits such as refinancing options, insurance packages, and support for home improvements.
- We will also explore partnerships with financial institutions to enhance the scheme's offerings and ensure long-term sustainability

(iii) Sustainable Funding and Partnerships:

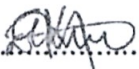
To reduce reliance on internal funds, we will seek partnerships with external investors and financial institutions. These partnerships will provide additional capital and expertise, ensuring the continued growth and success of the scheme.

Conclusion

In conclusion, the Mortgage and Car Loan Scheme has had a profoundly positive impact on REREC and its employees. Despite facing various challenges, our commitment to continuous enhancement and innovation has allowed us to navigate and resolve these issues effectively. I am confident that with our ongoing strategic initiatives and dedicated teamwork, we will further refine the scheme and achieve even greater success.

I would like to extend my sincere appreciation to our employees, management team, and stakeholders for their unwavering support and dedication.

Signed by:


.....

**CHRP Everlyn Koech
Scheme Administrator**

Date: 29th Aug 2025

7. Statement of Performance against Predetermined Objectives

Introduction

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012, requires the Accounting Officer to include in the financial statement, a statement of the national government Fund's performance against predetermined objectives. The key objectives of the Renewable Energy and Rural Electrification Corporation (REREC) Mortgage and Car Loan Fund are to:

- a) Provide loan facilities for the purchase and development of residential houses.
- b) Provide loan facilities for the purchase of motor vehicles for personal use.

Progress on Attainment of the scheme's Objectives:

To implement and cascade the above fund objectives to specific sectors, all the objectives were made Specific, Measurable, Achievable, Realistic, and Time-bound (SMART) and converted into fund outcomes. Attendant indicators were identified for tracking progress and performance measurement.

Below is the progress on attaining the stated objectives:

Scheme Name	Objective	Outcome	Indicator	Performance
REREC Mortgage and Car loan Scheme.	To provide loan facility for purchase and development of residential houses; and purchase of motor vehicles for personal use.	Decent housing for staff and ease of movement to and from work.	The number of staff members who received loan facilities for acquiring residential houses and personal vehicles.	As at the end of FY 2024/25, fifty-one (51) staff members obtained loans for the purchase of residential houses and personal vehicles.

8. Corporate Governance Statement

This Corporate Governance Statement outlines the principles and practices guiding our governance framework, focusing on transparency, accountability, and adherence to regulations.

a) Process of Appointment and Removal of Administration Committee Members

The Administration Committee members are appointed through a formal process that includes nomination by existing members, review by a governance committee, and approval by the Board. Removal of members is conducted based on predefined criteria, including performance issues or breaches of conduct, and requires a majority vote by the Board.

b) Roles and Functions of the Administration Committee Members

The Administration Committee is responsible for overseeing the operational management of the scheme, including policy implementation, financial oversight, and strategic planning. Committee members are tasked with reviewing performance metrics, ensuring compliance with regulatory requirements, and providing recommendations for improvement.

c) Number of Fund Administration Committee Meetings Held and Attendance

During the reporting period, the Fund Administration Committee held several meetings to oversee and guide the administration of funds effectively. The attendance of committee members was carefully monitored and regularly reviewed to ensure a high level of engagement and commitment. These reviews serve as a key indicator of member involvement, helping to maintain accountability and ensure that each member fulfills their responsibilities. Regular monitoring of attendance also allows for timely identification of any issues related to member participation, enabling proactive measures to promote full engagement and support the committee's objectives.

d) Succession Plan

A formal succession plan is in place to address potential vacancies within the Administration Committee. This plan includes identifying and developing internal candidates, and, if necessary, engaging external search firms to ensure a smooth transition and continuity of governance.

e) Existence of a Service Charter

A Service Charter has been established, outlining the commitment to providing high-quality service, setting performance standards, and defining the responsibilities of the Administration Committee. This charter is reviewed annually and updated as necessary.

f) Induction and Training, Administration Committee Members and Member's Performance

New Administration Committee members undergo a comprehensive induction program that covers the fund's operations, governance practices, and regulatory requirements. Ongoing training is provided to ensure members stay updated on relevant developments. Performance reviews are conducted regularly to assess and enhance member effectiveness.

g) Conflict of Interest

A robust conflict of interest policy is in place to manage and disclose any potential conflicts. Members are required to declare any personal or financial interests that may influence their decisions, and appropriate measures are taken to mitigate any conflicts.

h) Fund Committee Remuneration

Compensation for Fund Committee members is determined based on industry standards and the scope of their responsibilities, in line with guidelines from the Salaries and Remuneration Commission (SRC) and Human Resource policies.

i) Compliance with Existing Laws and Regulations

The fund adheres to all applicable laws and regulations governing its operations. Regular audits and reviews are conducted to ensure compliance, and any non-compliance issues are addressed promptly.

j) Ethics and Conduct as Well as Governance Audit Undertaken

The fund upholds high standards of ethics and conduct, guided by a Code of Conduct that all members are required to follow. A governance audit is conducted annually to assess the effectiveness of governance practices and identify areas for improvement. The results of the audit are reviewed by the Board and actions are taken as necessary to address any findings.

9. Management Discussion and Analysis

The Management Discussion and Analysis (MD&A) provides an overview of the Fund's operational and financial performance, loan activity, compliance status, risk management, and other pertinent information for the period.

Operational and Financial Performance

During the period under review, the scheme has demonstrated robust operational and financial performance. Our performance has been strong, with key metrics indicating growth and efficiency.

a) Financial Highlights

- **Total Revenue:** The Scheme reported a total revenue of Kshs 57,174,530. This total includes Kshs 49.982 million from non-exchange transactions and the remaining amount from exchange transactions, which comprises interest income generated from loans and interest earned on the unutilized revolving fund.
- **Operating Expenses:** Total operating expenses amounted to Kshs.5,630,888. Major expense categories include scheme administration expenses and provisions for doubtful debts.
- **Net operating Revenue:** The Fund recorded a net operating revenue of Kshs. 51,543,643 for the reporting period. After accounting for taxes, the fund closed the financial year with a net surplus after tax of Kshs. 1,399,897. This outcome demonstrates prudent financial management and reinforces the continued sustainability and operational efficiency of the Scheme.

b) Loan Activity

Loan Scheme Performance Summary

As of FY 2024/25, the loan scheme has experienced strong growth, having issued a cumulative total of 51 loans worth Kshs 363.695 million, up from 21 loans in FY 2023/24. The outstanding principal has risen sharply to Kshs 344.734 million, reflecting active disbursements and relatively low repayments to date (Kshs 18.962 million). This signals that most loans are still in their early stages of repayment. The increase in loan issuance aligns with the Scheme's objective to expand access to affordable credit, with performance reflecting strong portfolio uptake.

Rural Electrification and Renewable Energy Corporation staff mortgage and Car loan Scheme Annual Report and Financial Statements For the Year Ended 30th June 2025

Financially, the scheme has generated cumulative revenue of Kshs 362.182 million over the two years, with modest operating expenses totaling Kshs 6.583 million, leading to a healthy net operating revenue of Kshs 355.599 million. The surplus after tax has reached Kshs 5.41 million, contributing to a rise in net assets from Kshs 304.007 million in FY 2023/24 to Kshs 355.389 million in FY 2024/25. The overall financial position remains sound, supported by efficient cost control, although close monitoring of loan recovery will be important given the rising outstanding balance.

Detailed Financial Summary:

Description	FY 2023/24	FY 2024/25	Year to date
Number of Loans Issued	21 Loans	30 Loans	51 Loans
Total Loan Issuance	Kshs.154,300,420	Kshs.209,395,000	Kshs. 363,695,420
Total Outstanding Principal	Kshs.151,750,099	Kshs.344,733,579	Kshs. 344,733,579
Total Repayments	Kshs.2,550,321	Kshs.16,411,520	Kshs. 18,961,841
Total Revenue	Kshs.305,007,954	Kshs.57,174,530	Kshs.362,182,484
Total Operating Expenses	Kshs.952,334	Kshs.5,630,888	Kshs.6,583,222
Net Operating Revenue	Kshs.304,055,620	Kshs.51,543,643	Kshs.355,599,263
Surplus/(Deficit) Before Tax	Kshs.4,055,620	Kshs.1,561,643	Kshs.5,617,263
Surplus/(Deficit) After Tax	Kshs.4,007,162	Kshs.1,399,897	Kshs.5,407,059
Net Assets	Kshs.304,007,162	Kshs.355,389,059	Kshs.355,389,059

c) Compliance with Statutory Requirements

The Fund is in full compliance with all relevant statutory requirements. This includes adherence to financial reporting standards, regulatory filings, and other legal obligations. Regular reviews and audits are conducted to ensure ongoing compliance.

d) Major Risks and Financial Obligations

Major Risks:

- **Market Risk:** Fluctuations in market conditions could impact investment returns.
- **Credit Risk:** The risk of default on loans or investments remains a concern. Strategies are in place to mitigate this risk through rigorous credit assessments and diversified investments.
- **Operational Risk:** Potential disruptions to operations due to technological failures and staffing issues.

Material Arrears:

- **Statutory Obligations:** There are no material arrears in statutory payments.
- **Financial Obligations:** The Fund is current on all financial obligations with no significant arrears.

e) Other Information

- **Sustainability Initiatives:** The Fund is committed to sustainability and encourages environmental and social initiatives through its mortgage and car loan schemes.
- **Future Outlook:** Looking ahead, the Fund plans to focus on strategic goals for its mortgage and car loan schemes, with expectations for improved performance and positive changes.

10. Environmental and Sustainability Reporting

This highlights the Scheme's Environmental and Social Responsibility (ESR) activities undertaken during the year, emphasizing our contributions to societal impact and environmental conservation. Our initiatives span various areas, including education, sports, healthcare, labor relations, staff training and development, and water and sanitation. We also focus on the environmental and social aspects related to our mortgage and car loan schemes.

10.1 Sustainability Profile and Reporting

The REREC Mortgage and Car Loan scheme is dedicated to upholding its commitment to stakeholders by fulfilling its primary objectives of providing affordable financing to staff for acquiring homes and motor vehicles. This commitment aligns with Government Policy and reflects our dedication to responsible stewardship.

10.2 Environmental Responsibility

The Fund Administrator recognizes the imperative of environmental sustainability. We are committed to integrating eco-friendly practices into our operations, ensuring that our actions contribute positively to the environment. This includes adopting measures to reduce our carbon footprint and encouraging sustainable practices among our stakeholders.

10.3 Employee Welfare

The success and sustainability of the REREC Mortgage and Car Loan scheme are intrinsically linked to the strength and dedication of our human capital. We are committed to recruiting, retaining, rewarding, and developing top talent to ensure the Fund's continued success and growth. We place a strong emphasis on attracting and retaining highly skilled professionals who are aligned with our organizational values. Our talent management practices are designed to support the professional growth of our employees through continuous training and development opportunities, fostering a culture of excellence and innovation.

We are dedicated to instilling a culture of safety, security, social responsibility, and environmental awareness among our employees. This involves:

- (i) **Safety and Security:** Ensuring a safe and secure working environment for all employees, with robust health and safety protocols in place.
- (ii) **Social Responsibility:** Encouraging employees to engage in and support community initiatives and practices that promote social well-being.
- (iii) **Environmental Awareness:** Raising awareness about environmental issues and encouraging practices that contribute to sustainability.

We uphold the highest standards of integrity and responsibility. Our employees are expected to act with honesty and accountability in their interactions with stakeholders and in their impact on the environment. This commitment to ethical behavior ensures that our operations are conducted responsibly and sustainably.

By fostering a supportive and responsible work environment, we aim to empower our employees to contribute positively to the scheme's objectives and to the broader community and environment.

10.4 Market Place Practices

Market place practices for the REREC Mortgage and Car Loan Scheme generally involve the following key elements:

- a) **Transparency:** The scheme clearly disclose all terms and conditions of the loans, including interest rates, fees, and repayment schedules. This ensures borrowers understand their obligations and can make informed decisions.
- b) **Fair Lending:** The scheme offer loans based on fair and non-discriminatory practices. This includes assessing borrowers' creditworthiness impartially and avoiding practices that could unfairly disadvantage certain groups.
- c) **Responsible Lending:** The scheme assess borrowers' ability to repay the loan before approval. This involves evaluating income, credit history, and other financial factors to prevent borrowers from taking on more debt than they can handle.
- d) **Consumer Protection:** There are regulations in place to protect consumers from predatory lending practices. This includes measures to prevent deceptive advertising, hidden fees, and unfair loan terms.

- e) **Ethical Advertising:** Highlight REREC's commitment to ethical advertising by avoiding misleading claims and ensuring that marketing practices are aligned with responsible lending standards and consumer protection policies.
- f) **Feedback Mechanisms:** Promote and facilitate channels for stakeholders to provide feedback on marketing practices. This shows that REREC values stakeholder input and is committed to continuous improvement based on their feedback.

In conclusion, the Scheme is committed to upholding high standards of transparency, fairness, and responsibility in its operations. By adhering to these market place practices, the scheme ensures that borrowers are well-informed, treated equitably, and protected from harmful lending practices. This commitment not only fosters trust and accountability but also contributes to the overall positive impact of the scheme on the community. Through ethical practices and rigorous assessment procedures, the scheme strives to support borrowers in achieving their financial goals while maintaining the integrity and efficacy of its services.

10.5 Community Engagement:

To ensure a comprehensive approach to community engagement, we prioritize initiatives that extend the benefits of our activities beyond our immediate operations. Our commitment to community well-being is reflected in our active support for local development projects and programs that positively impact society at large. By fostering partnerships and investing in initiatives that uplift the communities where we operate, we aim to contribute meaningfully to their growth and prosperity. Our efforts in community engagement are integral to our overall responsibility and are essential for creating a lasting, positive impact.

11. Report of the Scheme Administration Committee

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

Principal activities

The principal activity of the Fund is to administer a mortgage and car loan scheme that allows staff members to access loan facilities for the purchase and development of residential houses, as well as for the purchase of motor vehicles for personal use.

Performance

The performance of the scheme for the Year ended June 30, 2025, is set out on page 1 to 42

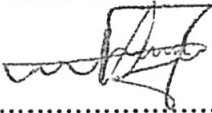
Scheme Administrative Committee

The members of the Administration Committee who served during the year are shown on page vii to x.

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:



.....
CS Dr. Rose N. Mkalama
Chairperson of the Scheme Administration Committee

Date: 29th August 2025

12. Statement of Management's Responsibilities

Section 84 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a Fund established pursuant to Circulars SRC/ADM/1C1&/11/13 Vol. III (128) of 17th December 2014, SRC/ADM/1C1R/11/13 Vol. III (130) of 29th January 2015, and SRC/ADM/1C1N/11/13 Vol. III (142) of 25th August 2015 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

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

This responsibility includes:

- i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the fund;
- iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv) Safeguarding the assets of the fund;
- v) Selecting and applying appropriate accounting policies, and
- vi) Making accounting estimates that are reasonable in the circumstances.

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

REPUBLIC OF KENYA

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Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON RURAL ELECTRIFICATION AND RENEWABLE ENERGY CORPORATION (REREC) STAFF MORTGAGE AND CAR LOAN SCHEME FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Rural Electrification and Renewable Energy Corporation (REREC) Staff Mortgage and Car Loan Scheme set out

Report of the Auditor-General on Rural Electrification and Renewable Energy Corporation (Rerec) Staff Mortgage and Car Loan Scheme for the year ended 30 June, 2025

on pages 1 to 39, which comprise of the statement of financial position as at 30 June, 2025 and the statement of 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 Rural Electrification and Renewable Energy Corporation (REREC) Staff Mortgage and Car Loan Scheme as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

Other Information

Management is responsible for the Other Information set out on pages iii to xxxiv which comprise of Key Fund Information and Management, Scheme Administration Committee, Management Team, Chairman's Statement, Report of the Scheme Administrator, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Scheme Administration Committee and Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Scheme's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit

or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

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, except for the effects of the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Unapproved and Below-Market Interest Rate on Revolving Fund Balances

The statement of financial performance reflects Kshs.7,191,837 relating to interest income as detailed in Note 7 to the financial statements. Included in this balance is an amount of Kshs.337,574 and Kshs.103,149 representing interest income on revolving fund and accrued interest income on revolving fund respectively. Review of the Car and Mortgage Scheme documents revealed that the Scheme Administrator has been applying an interest rate of 2% per annum on the balances of the revolving fund. This percentage is below market rate when compared to similar deposit or investment products (91-Day Treasury Bills, 182-Day Treasury Bills, SACCO Fixed Deposit Rates among others). Further, this rate of 2% was neither approved nor provided for in the framework of collaboration between the Scheme and the Sacco. The Management has indicated in their response that they will engage Scheme Administrator to review the applied interest rate and ensure that a revised, market-aligned, competitive, and formally approved rate is adopted to safeguard the fund's sustainability and uphold prudent financial management practices.

In the circumstances, Management is obtaining less interests income on revenue from exchange transactions.

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

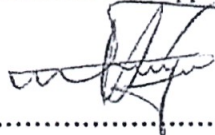
19 December, 2025


**Rural Electrification and Renewable Energy Corporation staff mortgage and Car loan Scheme
Annual Report and Financial Statements For the Year Ended 30th June 2025**

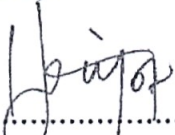
14. Statement of Financial Performance for the Year Ended 30th June 2025

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Transfers From REREC	6	49,982,000	300,000,000
Revenue From Exchange Transactions			
Interest Income On Revolving Fund		440,724	3,865,691
Interest Income From Mortgage Loans	7	5,886,958	856,659
Interest Income From Car Loans		864,109	285,541
Interest Income From Alpha Deposit Investment		46	-
Other Incomes			
Dividend Income	8	693	62
Total Revenue		57,174,530	305,007,954
Operating Expenses			
Employee Costs	9	-	-
Scheme Administration Expenses		(5,625,889)	(951,834)
Scheme Registration Fees	10	-	(500)
Provision For Doubtful Debts		(4,998)	-
Depreciation And Amortization Expense	11	-	-
Finance Costs	12	-	-
Total Operating Expenses		(5,630,888)	(952,334)
Other Gains/Losses			
Gain/Loss On Disposal of Assets	13	-	-
Gain /Loss On Fair Value of Investments	14	-	-
Net Operating Revenue		51,543,643	304,055,620
Surplus/(Deficit) Before Tax		1,561,643	4,055,620
Taxation	15	(161,746)	(48,458)
Surplus/(Deficit) After Tax		1,399,897	4,007,162

The notes set out on pages 6 to 37 form an integral part of these Financial Statements. The financial statements were approved on 29th August 2025 by:


.....
CS Dr. Rose N Mkalama
Chairperson of the Scheme


.....
CHRP Everlyn Koech
Scheme Administrator


.....
CPA Davis K. Cheruiyot
Scheme Financial Advisor
ICPAK M/NO: 19351

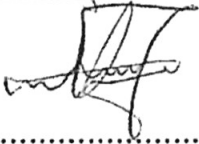
*Rural Electrification and Renewable Energy Corporation staff mortgage and Car loan Scheme
Annual Report and Financial Statements For the Year Ended 30th June 2025*

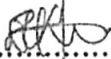
15. Statement of Financial Position as at 30th June 2025

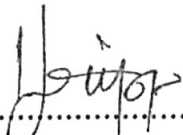
Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Assets			
Current Assets			
Cash And Cash Equivalents	16	10,418,783	149,167,098
Receivables from Exchange Transactions (Net of ECL)	17	23,065,936	12,141,440
Receivables From Non-Exchange Transactions	18	50,018,000	49,982,000
Prepayments	19		-
Inventory	20		-
Investments in Financial Assets	21	21,000	3,000
Total Current Assets		83,523,718	211,293,538
Non-Current Assets			
Receivables From Exchange Transactions	17	321,883,341	142,695,624
Receivables From Non-Exchange Transactions	18	-	50,018,000
Property, Plant, And Equipment	22	-	-
Intangible Assets	23	-	-
Investment Property	24	-	-
Total Non-Current Assets		321,883,341	192,713,624
Total Assets (A)		405,407,059	404,007,162
Current Liabilities			
Trade And Other Payables	25	-	-
Borrowings	26	-	-
Deferred Revenue - Non-Exchange Transactions	27	50,018,000	49,982,000
Total Current Liabilities		50,018,000	49,982,000
Non- Current Liabilities			
Borrowings	26	-	-
Deferred Revenue - Non-Exchange Transactions	27	-	50,018,000
Total Non- Current Liabilities		-	50,018,000
Total Liabilities (B)		50,018,000.00	100,000,000.00
Net Assets (A-B)		355,389,059	304,007,162
Represented By:			
Scheme Revolving Fund		349,982,000	300,000,000
Accumulated Surplus/(Deficit) For The Year		5,407,059	4,007,162
Net Assets		355,389,059	304,007,162

***Rural Electrification and Renewable Energy Corporation staff mortgage and Car loan Scheme
Annual Report and Financial Statements For the Year Ended 30th June 2025***

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund financial statements were approved on 29th AUGUST 2025 and signed by:


.....
CS Dr. Rose N Mkalama
Chairperson of the Scheme


.....
CHRP Everlyn Koech
Fund Administrator


.....
CPA Davis K. Cheruiyot
Scheme Financial Advisor
ICPAK M/NO: 19351

16. Statement of Changes in Net Assets for the Year Ended 30th June 2025

Description	Revolving Fund	Accumulated Reinvested Surplus	Total Fund Balance
	Kshs	Kshs	Kshs
As at 1st October 2023	300,000,000		300,000,000
Surplus/(Deficit) For The Period	-	4,007,162	4,007,162
Funds Received During The Year	-	-	-
Revaluation Gain	-	-	-
As at 30th June 2024	300,000,000	4,007,162	304,007,162
Balance As at 1st July 2024	300,000,000	4,007,162	304,007,162
Surplus/(Deficit) For The Period	-	1,399,897	1,399,897
Funds Received During The Year	49,982,000	-	49,982,000
Revaluation Gain	-	-	-
As at 30th June 2025	349,982,000	5,407,059	355,389,059

The Nature and purpose of reserves

The reserves under Accumulated reinvested Surplus represent cumulative net surpluses from the Scheme's operations and are distinct from the Revolving Fund capital. They function as a financial buffer for unforeseen costs, facilitate reinvestment into the scheme, and reduce dependence on additional funding. As at 30th June 2025, the accumulated surplus increased to Kshs 5,407,059 from Kshs 4,007,162, reflecting a surplus of Kshs 1,399,897 for the year.

*Rural Electrification and Renewable Energy Corporation staff mortgage and Car loan Scheme
Annual Report and Financial Statements For the Year Ended 30th June 2025*

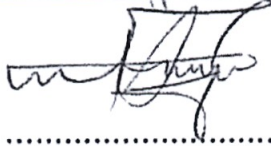
17. Statement of Cash Flows for the Year Ended 30th June 2025

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Cash Flows From Operating Activities			
Receipts			
Funds Transfers From REREC		49,982,000	300,000,000
Interest Income Received On Revolving Fund		3,234,172	969,093
Interest Income Received On Loans		1,197,997	-
Dividend Income		693	62
Interest Income From Alpha Deposit Investment		46	-
Unallocated receipts		-	-
Total Receipts		54,414,909	300,969,155
Payments			
Employee Costs		-	-
Scheme Registration Fee		-	(500)
Finance Cost		-	-
Withholding Tax Remittances		(161,746)	(48,458)
Funds Held For Loan Disbursement		-	-
Total Payments		(161,746)	(48,958)
Net Cash Flow From Operating Activities	28	54,253,164	300,920,197
Cash Flows From Investing Activities			
Purchase Of PPE And Intangible Assets		-	-
Proceeds From Sale Of PPE		-	-
Proceeds From Loan Principal Repayments		16,411,520	2,550,321
Loan Disbursements Paid Out		(209,395,000)	(154,300,420)
Investments in Financial Assets		(18,000)	(3,000)
Net Cash Flows Used In Investing Activities		(193,001,480)	(151,753,099)
Cash Flows From Financing Activities			
Receipts Into The Mortgage & Car Revolving Fund		-	-
Net Cash Flows Used In Financing Activities		-	-
Net Increase/(Decrease) In Cash And Cash Equivalents		(138,748,316)	149,167,098
Cash And Cash Equivalents At The Beginning Of The Year	16	149,167,098	-
Cash And Cash Equivalents At The End Of The Year	16	10,418,783	149,167,098

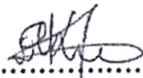
***Rural Electrification and Renewable Energy Corporation staff mortgage and Car loan Scheme
Annual Report and Financial Statements For the Year Ended 30th June 2025***

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund financial statements were approved on 29th August 2025 and signed by:

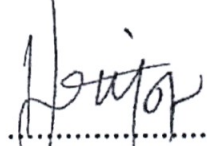
For



.....
CS Dr. Rose N Mkalama
Chairperson of the Scheme



.....
CHRP Everlyn Koech
Fund Administrator



.....
CPA Davis K. Cheruiyot
Scheme Financial Advisor
ICPAK M/NO: 19351

*Rural Electrification and Renewable Energy Corporation staff mortgage and Car loan Scheme
Report and Financial Statements For the Year Ended 30th June 2025*

18. Statement of Comparison of Budget and Actual Amounts for the Year Ended 30th June 2025

Description	Original Budget	Adjustments	Final Budget	Actual On Comparable Basis	Performance Difference	% of Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	c=(a+b)	d	e=(c-d)	f=d/c
Revenue						
Transfers From REREC	-	-	-	49,982,000	(49,982,000)	0%
Interest Income On Revolving Fund	440,724	-	440,724	440,724	-	100%
Interest Income From Mortgage Loans	5,886,958	-	5,886,958	5,886,958	-	100%
Interest Income From Car Loans	864,109	-	864,109	864,109	-	100%
Interest Income From Alpha Deposit Investment	46	-	46	46	-	100%
Other Incomes:						
Dividend Income	693	-	693	693	-	100%
Total Revenue	7,192,530	-	7,192,530	57,174,530	(49,982,000)	795%
Expenses						
Employee Costs	-	-	-	-	-	0%
Scheme Administration Expenses	(5,625,889)	-	(5,625,889)	(5,625,889.15)	-	100%
Scheme Registration Fees	-	-	-	-	-	0%
Provision For Doubtful Debts	(4,998)	-	(4,998)	(4,998)	-	100%
Depreciation And Amortization Expense	-	-	-	-	-	0%
Finance Costs	-	-	-	-	-	0%
Total Operating Expenses	(5,630,888)	-	(5,630,888)	(5,630,888)	-	100%
Other gains/losses	-	-	-	-	-	0%
Net Operating Revenue	1,561,643	-	1,561,643	51,543,643	(49,982,000)	3301%
Surplus/(Deficit) Before Tax	1,561,643	-	1,561,643	1,561,643	0.00	100%
Taxation	(161,746)	-	(161,746)	(161,746)	-	100%
Surplus/(Deficit) After Tax	1,399,897	-	1,399,897	1,399,897	0.00	100%

Budget notes:

- a) **Transfer from Non-Exchange Transactions:** There was no budgetary allocation recognized in the current financial year. However, an amount of Kshs. 50 million was disbursed to the Scheme during the reporting period. This disbursement is not a budget recognition issue but rather relates to the actual cash transfer from the previously approved ceiling of Kshs. 400 million. Of this ceiling, Kshs. 300 million had already been disbursed in FY 2023/24. The Kshs. 49.982 million received in the current period represents 50% of the remaining Kshs. 100 million, which had been appropriated and committed in prior years but had not yet been fully disbursed.
- b) **Interest income on Revolving Fund:** This represents interest income earned from the unutilized balance of the revolving fund, which accrued during the financial year, with the actual receipt expected from Stima DT Sacco at the end of December. This income reflects the prudent management of idle funds, ensuring continued value generation even when the funds are not fully disbursed.
- c) **Interest Income on Mortgage and Car Loans:** A 0.5% interest charge recovered from loanees is reinvested into the Scheme, as stipulated in the collaboration framework agreement between REREC and Stima DT Sacco Society Ltd.
- d) **Management Costs:** Management costs comprise a 2.5% interest charge recovered directly from loanees by Stima DT Sacco Society Ltd at source. This charge covers management expenses in accordance with the collaboration framework agreement between REREC and Stima DT Sacco Society Ltd.
- e) **Provision for Doubtful Debts:** The provision for doubtful debts is determined using the Expected Credit Loss (ECL) model in accordance with IPSAS 41 - Financial Instruments. The ECL assessment is applied to the outstanding loan portfolio as at June 30, 2025, taking into account credit risk indicators, loan aging profiles, and historical default trends. This approach ensures adequate provisioning for potential loan defaults and supports the sound financial management of the Scheme.
- f) **Other Expenses:** Other expenses include withholding tax remittances, which represent the final tax charged on interest earned from the Scheme Revolving Fund.

19. Notes to the Financial Statements

1. General Information

The REREC Mortgage and Car Loan Fund is established by and derives its authority and accountability from the following circulars: SRC/ADM/CIR/I/13 Vol. III (128) of 17th December 2014; SRC/ADM/CIR/I/13 Vol. III (130) of 29th January 2015 and SRC/ADM/CIR/I/13 Vol. III (142) of 25th August 2015.

The Scheme is wholly owned by REREC and is domiciled in Kenya. The Fund's principal activity is to administer a mortgage and car loan scheme for members of staff to access loan facilities for the purchase and development of residential houses and the purchase of motor vehicles for personal use.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Fund's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Fund. The financial statements have been prepared in accordance with the PFM Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

Notes to the Financial Statements (Continued)

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 are no new standards effective in the FY.

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

Standard	Effective date and impact:
IPSAS 43: Leases	Applicable 1st January 2025 The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	Applicable 1st January 2025 The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.
IPSAS 45: Property Plant and Equipment	Applicable 1st January 2025 The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46: Measurement	Applicable 1st January 2025 The objective of this standard was to improve measurement guidance across IPSAS by: i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.

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Standard	Effective date and impact:
	<ul style="list-style-type: none"> ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47: Revenue</p>	<p>Applicable 1st January 2026</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>
<p>IPSAS 48: Transfer Expenses</p>	<p>Applicable 1st January 2026</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>IPSAS 49: Retirement Benefit Plans</p>	<p>Applicable 1st January 2026</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>IPSAS 50: Exploration For & Evaluation of Mineral Resources</p>	<p>Applicable 1st January 2027</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> <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. 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.

iii) Early adoption of standards

The Entity did not early-adopt any new or amended accounting standards during the financial year. Therefore, this disclosure is not applicable.

4. Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

Dividends

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

Rental income

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

b) Budget information

The Board approved the original budget and scheme ceiling of Kshs. 400 million within the prescribed timelines and in line with the established budget preparation procedures followed over the years. However, the actual transfer of funds commenced in October 2023, following the operationalization of the scheme. In the Financial Year 2023/24, Kshs. 300 million was disbursed as seed capital to support the initial rollout of the staff mortgage scheme, leaving a balance of Kshs. 100 million. In the Financial Year 2024/25, an additional Kshs. 49.982 million was transferred to support new loan applications. The

remaining balance will be transferred on a need basis, guided by the uptake of the scheme and the volume of eligible applications.

Further to the original allocation, Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Fund upon receiving the respective approvals in order to conclude the final budget. The Fund's budget is prepared on a different basis from the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts as per the statement of financial performance has been presented under section 18 on page 4 of these financial statements.

c) Property, plant, and equipment (PPE)

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

d) Intangible assets

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

e) Investment property

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

f) Financial instruments

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

I. Financial assets

Classification of financial assets

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

dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

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

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Management applied estimates and significant judgments in determining the Expected Credit Loss (ECL), consistent with the requirements of IPSAS 41.

II. Financial liabilities

Classification

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

g) Contingent liabilities

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

h) Contingent assets

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

i) Nature and purpose of reserves

The Fund does not maintain predetermined reserves but creates them on a need basis, guided by specific requirements as they arise. This flexible approach ensures that funds are available for future disbursements and obligations, in line with clearly defined policies to maintain financial stability and responsiveness to evolving needs.

j) Changes in accounting policies and estimates

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

k) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different

***Rural Electrification and Renewable Energy Corporation staff mortgage and Car loan Scheme
Annual Report and Financial Statements For the Year Ended 30th June 2025***

from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

l) Related parties

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

m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call, and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

n) Comparative figures

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

o) Events after the reporting period

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

p) Ultimate and Holding Fund

The Fund is established under Section 24 (4) PFM Act under the Department of xxx/ State Corporation. Its ultimate parent is the Government of Kenya.

q) Currency

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

5. Significant judgments and sources of estimation uncertainty

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

a) Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur. (*see IPSAS 1.140.*)

b) Useful lives and residual values

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

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

*Rural Electrification and Renewable Energy Corporation staff mortgage and Car loan Scheme
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Notes to the Financial Statements (Continued)

6. Transfers from REREC

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Transfers From REREC	49,982,000	300,000,000
Payments By Government Entity On Behalf Of The Fund	-	-
Unconditional Development Grants	-	-
Total	49,982,000	300,000,000

6(b) Transfers from the Parent Ministry/SC/SAGA

Name of the Entity Sending the Grant	Amount recognized to Statement of Financial performance	Amount recognised in revolving fund	Total	
			2024/2025	2023/2024
			Kshs	Kshs
Transfers from REREC	49,982,000	49,982,000	49,982,000	300,000,000
Total	49,982,000	49,982,000	49,982,000	300,000,000

7. Interest income

Description	2024/2025	2023/2024
	Kshs	Kshs
Interest Income On Revolving Fund	337,574	969,093
Accrued Interest Income On Revolving Fund	103,149	2,896,598
Interest Income Received From Mortgage Loans	5,262,121	-
Interest Income Received From Car Loans	783,663	-
Accrued Interest Income From Mortgage Loans	624,837	856,659
Accrued Interest Income From Car Loans	80,446	285,541
Interest Income From Alpha Deposit Investment	46	-
Total Interest Income	7,191,837	5,007,892

Notes to the Financial Statements (Continued)

8. Other income

Description	2024/2025	2023/2024
	Kshs	Kshs
Insurance Recoveries	-	-
Income From Sale Of Tender Documents	-	-
Bad Debts Recovered	-	-
Dividend Income	693	62
Total Other Income	693	62

9. Employee Costs

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Salaries and Wages	-	-
Staff Gratuity	-	-
Staff Training expenses	-	-
Social Security Contribution	-	-
Other (Specify)	-	-
Total	-	-

10. Use of Goods and Services

Description	2024/2025	2023/2024
	Kshs	Kshs
Scheme Registration Fee	-	500
Scheme Administration Expenses - Mortgage Loans	4,905,799	713,883
Scheme Administration Expenses - Car Loans	720,090	237,951
Provision For Doubtful Debts - Mortgage and Car Loans	4,998	-
Total	5,630,888	952,334

11. Depreciation and Amortization Expense

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Property Plant and Equipment	-	-
Intangible assets	-	-
Total	-	-

Notes to the Financial Statements (Continued)

12. Finance costs

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Interest on Bank Overdrafts	-	-
Interest on Loans from Banks	-	-
Total	-	-

13. Gain/(loss) on disposal of assets

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Property, Plant, and Equipment	-	-
Intangible Assets	-	-
Total	-	-

14. Gain/ (loss) on Fair Value Investments

Description	2024/2025	2023/2024
	Kshs	Kshs
Investments at Fair Value- Equity investments	-	-
Fair value – Investment property	-	-
Fair value- other financial assets (specify)	-	-
Total Gain	-	-

15. Taxation

Description	2024/2025	2023/2024
	Kshs	Kshs
Income tax charge	-	-
Withholding Tax on:		
Interest Income	161,709	48,455
Dividends Income	37	3
Total	161,746	48,458

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Notes to the Financial Statements (Continued)

16. Cash and cash equivalents

Description	2024/2025	2023/2024
	Kshs	Kshs
Opening Cash and Cash Equivalent:	-	-
Opening balance Prime Current Account	149,166,098	-
Cash transferred from REREC	49,982,000	300,000,000
Loan disbursements	(209,395,000)	(154,300,420)
Loan principal repayments	16,411,520	2,550,321
Surpluses reinvested into the scheme	4,271,164	920,197
Transfer to Share Capital Account	(18,000)	(3,000)
Transfers to Loan Disbursement Holding Account	-	-
Transfer to Alpha deposit Account	(44)	(1,000)
Closing balance - Prime Current Account (A)	10,417,739	149,166,098
Opening Balance - On Call Deposits:	1,000	-
Alpha Deposit Investments	-	1,000
Dividend Capitalization	44	
Closing Balance - On Call Deposits (B)	1,044	1,000
Total Cash And Cash Equivalents (C=A+B)	10,418,783	149,167,098

16 a) Detailed analysis of the cash and cash equivalents

Financial Institution	Account Number	2024/2025	2023/2024
		Kshs	Kshs
Scheme Revolving Fund			
Stima Sacco DT Prime Account	801104165201-0	10,417,739	149,166,098
Sub-total (a)		10,417,739	149,166,098
Fixed Deposit Accounts		-	-
Sub- Total (b)		-	-
On- Call Deposits		1,044	1,000
Sub- Total (c)		1,044	1,000
Current Account			
Sub- Total (d)		-	-
Others (Specify)		-	-
Cash On Hand		-	-
Mobile Money		-	-
Sub- Total (e)		-	-
Grand Total (f) = a+b+c+d+e)		10,418,783	149,167,098

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Notes to the Financial Statements (Continued)

17. Receivables from exchange transactions

Description	2024/2025		2023/2024	
	Kshs		Kshs	
Current Receivables				
Accrued Interest Receivable from Mortgage Loans	104,140		142,776.57	
Accrued Interest Receivable from Car Loans	13,408		47,590.23	
Accrued Interest Receivable on Revolving Fund	103,149		2,896,598.10	
Current Mortgage Portion of Long-Term Receivables	13,127,919		4,950,681.36	
Current Car Loan Portion of Long-Term Receivables	9,722,319		4,103,793.38	
Other Exchange Debtors	-		-	
Less: Allowance for Expected Credit Losses	(4,998)		-	
Total Current Receivables	23,065,936		12,141,440	
Non-Current Receivables				
Mortgage Longterm receivables	293,624,912		127,043,262	
Car Loan Longterm receivables	28,258,429		15,652,362	
Total Non- Current Receivables	321,883,341		142,695,624	
Total Receivables	344,949,277		154,837,064	
Ageing analysis (receivable from exchange transactions)	Current FY	% of total	Comparative FY	% of total
Less than 1 year	23,065,936	7%	12,141,440	8%
Between 1-2 years	23,464,876	7%	23,065,936	15%
Between 2-3 years	23,993,344	7%	23,993,344	15%
Over 3 years	274,425,121	80%	95,636,344	62%
Total (tie to totals above)	344,949,277	100%	154,837,064	100%

Notes to the Financial Statements (Continued)

18. Receivables from Non-Exchange transactions

Description	2024/2025		2023/2024	
	Kshs		Kshs	
Transfers From REREC	50,018,000		100,000,000	
Transfer From other Govt Entity	-		-	
Total Receivables	50,018,000		100,000,000	
Ageing analysis (receivable from non- exchange transactions)	2024/2025	%of total	2023/2024	% of total
Less than 1 year	50,018,000	100%	49,982,000	50%
Between 1-2 years	-	0%	50,018,000	50%
Between 2-3 years	-	0%	-	0%
Over 3 years	-	0%	-	0%
Total (tie to totals above)	50,018,000	100%	100,000,000	100%

19. Prepayments

Description	2024/2025		2023/2024	
	Kshs.		Kshs.	
Prepaid Rent	-		-	
Prepaid Electricity Costs	-		-	
Other Prepayments (Specify)	-		-	
Total	-		-	

20. Inventory

Description	2024/2025		2023/2024	
	Kshs.		Kshs.	
Consumables	-		-	
Other (specify)	-		-	
Total	-		-	

Notes to the Financial Statements (Continued)

21. Investments in Financial Assets

Description	2024/2025	2023-2024
	Kshs	Kshs
Investment In Treasury Bills And Bonds		
Financial Institution		
CBK		
CBK		
Sub-Total (A)		
Investment With Financial Institutions/ Banks.		
Stima Sacco Alpha Deposit	-	-
Sub-Total (B)	-	-
Equity Investments (Specify)		
Stima Sacco Share Capital	21,000	3,000
Sub-Total (C)	21,000	3,000
Grand Total D =(A+B+C)	21,000	3,000

D) Movement of Equity Investments

Impairment Allowance/ Provision	2024/2025	2023/2024
	Kshs	Kshs
At the beginning of the year	3,000	0.0
Purchase of investments in the year	18,000	3,000
Sale of investments during the year	-	-
Gain/(loss) in fair value of investments through surplus or deficit	-	-
At The End Of The Year	21,000	3,000

E) Shareholding In Other Entities

For investments in equity share listed under note 21 above, list down the equity investments under the following categories:

Name of Entity where investment is held	No of Shares	No of shares			Nominal value of shares	Fair value of shares	Fair value of shares
		Direct shareholding	Indirect shareholding	Effective shareholding			
		%	%	%			
	No.	%	%	%	Kshs	Current year	Prior year
						Kshs	Kshs
Stima DT Sacco	42	100	-	100	21,000	21,000	3,000

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Notes to the Financial Statements (Continued)

22. Property, Plant, and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Other Assets (specify)	Capital Work in progress	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.		Kshs.	Kshs.
Cost								
At 1 st July 2023	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
At 30 th June 2024	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
At 1 st July 2024	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
At 30 th June 2025	-	-	-	-	-	-	-	-
Depreciation and impairment								
At 1 st July 2023	-	-	-	-	-	-	-	-
Depreciation for the year	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
At 30 th June 2024	-	-	-	-	-	-	-	-
At July 2024								

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Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Other Assets (specify)	Capital Work in progress	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.		Kshs.	Kshs.
Depreciation	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-
At 30th June 2025	-	-	-	-	-	-	-	-
Net book values								
At 30th June 2024	-	-	-	-	-	-	-	-
At 30th June 2025	-	-	-	-	-	-	-	-

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Notes to the Financial Statements (Continued)

23. Intangible assets

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Cost		
At beginning of the year	-	-
Additions	-	-
Disposal	-	-
At end of the year	-	-
Amortization and impairment		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
Net book value	-	-

24. Investment Property

Description	2024/2025	2023/2024
	Kshs.	Kshs.
At beginning of the year	-	-
Additions	-	-
Disposal during the year	-	-
Depreciation	-	-
Impairment	-	-
Gain/(loss) in fair value (if fair value is elected)	-	-
At end of the year	-	-

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Notes to the Financial Statements (Continued)

25. Trade and other payables

Description	2024/2025		2023/2024	
	Kshs.		Kshs.	
Trade Payables and Other Payables :				
Unallocated Receipts	-		-	
Total trade and other payables	-		-	
Ageing analysis: (Trade and other payables)	Current FY	% of total	Comparative FY	% of total
Under one year	-	0%	-	0%
1-2 years	-	0%	-	0%
2-3 years	-	0%	-	0%
Over 3 years	-	0%	-	0%
Total	-	0%	-	0%

26. Borrowings

Description	2024/2025	2023/2024
Borrowings	Kshs	Kshs
Kenya Shilling Loan From KCB	-	-
Kenya Shilling Loan from Barclays Bank	-	-
Kenya Shilling Loan from Consolidated Bank	-	-
Loans from other government institutions	-	-
Other loans (specify)	-	-
Total Balance at End Of The Year	-	-

Category:

Description	2024/2025	2023/2024
	Kshs	Kshs
Short Term Borrowings (Current Portion)	-	-
Long Term Borrowings	-	-
Total	-	-

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Notes to the Financial Statements (Continued)

27. Deferred Revenue - Non-Exchange Transactions

Description	2024/2025	2023/2024
	Kshs	Kshs
Transfers From REREC	50,018,000	100,000,000
Transfer From another Govt Entity		
Total Deferred Revenue	50,018,000	100,000,000

28. Net Cash Flows From Operating Activities

Description	2024/2025	2023/2024
	Kshs	Kshs
Surplus/ (Deficit) For The Year Before Tax	54,414,909	300,969,155
Adjusted For:		
Depreciation	-	-
Amortisation	-	-
Gains/ Losses On Disposal Of Assets	-	-
Scheme Registration Fee	-	(500)
Withholding Tax Remittances	(161,746)	(48,458)
Funds Held For Loan Disbursement	-	
Working Capital Adjustments	-	
Increase In Inventory	-	-
Increase In Receivables	-	-
Increase In Payables	-	-
Net Cash Flow From Operating Activities	54,253,164	300,920,197

29. Financial Risk Management

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

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

- i) Credit Risk Management - The Fund, in collaboration with Stima DT Sacco, enforces stringent credit assessment criteria to ensure that loans are extended only to verified staff members. This approach minimizes the risk of defaults by ensuring that only eligible borrowers with a proven repayment capacity receive financing. Additionally,

Notes to the Financial Statements (Continued)

the Fund conducts continuous credit monitoring and periodic risk evaluations to identify potential credit risks early and implement appropriate mitigation measures.

- ii) Liquidity Risk Management - Maintaining adequate liquidity reserves and continuously monitoring cash flows to ensure the Fund can meet its financial obligations without disruption.

These financial risk management measures enhance the Fund's resilience, safeguard its financial position, and support long-term sustainability.

a) Credit risk

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

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

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

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Notes to the Financial Statements (Continued)

Description	Total Amount	Fully Performing	Past Due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024				
Receivables From Exchange Transactions - Mortgages and Car loans	154,837,064	153,647,417	1,189,647	-
Receivables From Non-Exchange Transactions	100,000,000	100,000,000	-	-
Bank Balances	149,167,098	149,167,098	-	-
Total	404,004,162	402,814,515	1,189,647	-
At 30 June 2025				
Receivables From Exchange Transactions - Mortgages and Car loans	344,949,277	343,258,479	1,690,798	-
Receivables From Non-Exchange Transactions - Capital Fund	50,018,000	50,018,000	-	-
Fund Balances	10,418,783	10,418,783	-	-
Total	405,386,059	403,695,261	1,690,798	-

The customers under the fully performing category are meeting their repayment obligations. The credit risk associated with these receivables is assessed to be minimal. The allowance for expected credit losses recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts based on current credit risk indicators and historical performance.

As at 30 June 2025, the Scheme's financial assets reflect a low credit risk profile, with 99.57% of total balances classified as fully performing. While there was a modest increase in past due receivables from Kshs 1.189 million in 2024 to Kshs 1.691 million in 2025, this does not indicate a material deterioration in credit quality. The past due amount primarily represents the current portion of principal due affected by timing differences and cutoff at the reporting date.

There were no assets classified as impaired during either period. The Corporation continues to monitor and assess receivables regularly to mitigate emerging credit risks.

The Scheme Administration Committee is responsible for setting the Fund's credit policies and objectives, and for establishing the operational parameters that guide the management of credit risk. This includes reviewing risk exposure, approving credit risk mitigation strategies, and ensuring compliance with the credit risk framework.

***Rural Electrification and Renewable Energy Corporation staff mortgage and Car loan Scheme
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Notes to the Financial Statements (Continued)

Credit Risk Management Measures:

- i) **Strict Credit Screening:** The Scheme, in collaboration with Stima DT Sacco, applies rigorous credit assessment criteria to ensure that only eligible staff members receive financing, reducing default risk.
- ii) **Proactive Loan Monitoring:** Regular tracking of loan performance allows for early intervention in cases of potential credit deterioration.
- iii) **Diversified Risk Approach:** The Scheme maintains a diversified credit portfolio, minimizing concentration risk in any single borrower category.
- iv) **Adequate Provisioning:** Allowances for doubtful accounts are reviewed periodically to ensure adequate coverage for potential credit losses.

Through these measures, the Fund ensures financial stability while effectively managing credit risk exposure.

b) Liquidity risk management

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

The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

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

Liquidity Risk Management Assessment

The Mortgage and Car Loan Scheme continues to demonstrate strong financial discipline and effective liquidity management. As at 30th June 2025, the Scheme reported no outstanding payables, reflecting the timely settlement of obligations.

The Scheme ensures financial sustainability through prudent resource allocation, continuous cash flow monitoring, and strategic financial planning. These measures, alongside a well-structured risk

Notes to the Financial Statements (Continued)

mitigation framework, position the Scheme to effectively meet its obligations while supporting long-term operational resilience.

The Key Aspects of Liquidity Risk Management include:

- iii) Cash Flow Monitoring and Forecasting - The scheme conducts regular cash flow assessments to anticipate funding needs, ensuring optimal liquidity levels for timely loan disbursements and repayments without straining available resources.
- iv) Loan Recovery Mechanisms - A stringent loan repayment framework, supported by proactive borrower engagement and robust collection strategies, minimizes default rates and ensures a steady inflow of funds to sustain ongoing operations.
- v) Expenditure Control and Operational Efficiency – The scheme enforces strict financial controls to maintain operational costs within budgetary limits, enhancing cost-effectiveness and preventing unnecessary financial strain.
- vi) Risk Mitigation Strategies – In collaboration with Stima DT Sacco, the scheme employs a proactive and comprehensive risk management framework, incorporating regular financial reviews, policy enhancements, and strategic interventions to effectively address liquidity challenges as they arise.

Through these measures, the scheme has reinforced its financial resilience, ensuring long-term sustainability while consistently meeting its obligations and mitigating liquidity risks.

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Fund on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Fund's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

There has been no change to the Fund'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 Fund's financial condition may be adversely affected as a result of changes in interest rate levels. The Fund's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

Management of interest rate risk

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

Notes to the Financial Statements (Continued)

Sensitivity analysis

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

The Fund is exposed to interest rate risk on its financial assets that earn interest based on floating rates. To manage this risk, management places funds with reputable financial institutions that offer competitive and stable interest terms.

The Fund is exposed to interest rate fluctuations on its interest-bearing assets, including mortgage loans, car loans, and deposits. A change in interest rates will affect the interest income derived from these assets. The Fund has assessed the potential impact of interest rate changes on its revenue and profit before tax (PBT). As of 30 June 2025, the interest revenue exposed to floating interest rate changes totals Kshs. 7,191,837. The sensitivity analysis for a 1% change in interest rates is as follows:

Notes to the Financial Statements (Continued)

Case Scenario	Impact on Surplus Before Tax (Kshs.)
Increase in interest rates by 1%	71,918
Decrease in interest rates by 1%	(71,918)
Increase in interest rates by 5%	359,591
Decrease in interest rates by 5%	(359,591)

Interest rate risk Assessment:

The Fund is not significantly exposed to interest rate risk, as it operates as a government-established entity with no external borrowings or dependence on interest-bearing liabilities. Its financial position remains stable, with funds securely held in managed deposits that are insulated from interest rate volatility. Consequently, the Fund's financial condition remains unaffected by interest rate fluctuations, ensuring sustained liquidity and long-term operational stability.

e) Capital risk management.

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

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Description	2024/2025	2023/2024
	Kshs.	Kshs.
Scheme Revolving Fund	349,982,000	300,000,000
Accumulated surplus (Reserves)	5,407,059	4,007,162
Total Funds	355,389,059	304,007,162
Less: cash and bank balances	(10,418,783)	(149,167,098)
Net debt/(excess cash and cash equivalents)	344,970,277	154,840,064
Gearing Ratio	97.07%	50.93%

Assessment of Capital Risk management

The Fund's capital risk management strategy focuses on maintaining financial stability and ensuring sustainable operations. The capital structure includes a revolving fund and accumulated surplus (reserves), with the net position determined after accounting for cash and bank balances. The gearing ratio is used to assess financial leverage and liquidity, ensuring that the Fund remains adequately funded to meet its obligations while safeguarding its long-term viability.

Notes to the Financial Statements (Continued)

Interpretation of Gearing Levels:

- i) Low Gearing (0% - 30%) – Strong liquidity with minimal reliance on fund utilization, ensuring financial stability.
- ii) Medium Gearing (31% - 60%) – Balanced fund utilization while maintaining adequate liquidity.
- iii) High Gearing (Above 60%) - Indicates a substantial portion of funds has been committed, potentially limiting available cash reserves and necessitating prudent financial oversight to maintain liquidity.

Conclusion:

In 2024/25, the Scheme's total funds increased from Kshs 304 million to Kshs 355 million, reflecting growth. However, available cash dropped significantly from Kshs 149 million to just Kshs 10 million. As a result, the gearing ratio rose sharply from 50.93% to 97.07%, indicating that almost all funds are now tied up, with minimal cash reserves. This suggests a tighter financial position compared to the previous year, with reduced flexibility to meet unforeseen cash needs.

30. Related party balances

a) Nature of related party relationships

Notes to the Financial Statements (Continued)

Rural Electrification and Renewable Energy Corporation staff mortgage and Car loan Scheme Annual Report and Financial Statements For the Year Ended 30th June 2025

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:

- a) REREC
- b) Scheme Administration Committee.
- c) Stima DT Sacco

b) Related party transactions

i. Transfers from related parties

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Transfers from related parties (REREC)	49,982,000	300,000,000
Transfers to related parties - Loan disbursement to Scheme Administration Committee members	22,000,000	44,800,000
Total	71,982,000	344,800,000

Notes to the Financial Statements (Continued)

ii. Key management remuneration

Description	2023-2024	2022-2023
	Kshs.	Kshs.
Board of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

31. Events after the Reporting Period

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

32. Ultimate And Holding Entity

The Entity is a Fund under the sponsorship of Rural Electrification and Renewable Energy Corporation.

33. Currency

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

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.

Audit report Ref.	Issue / Observations from Auditor	Management comments	Status	Timeframe
No.1	<p>Non-conformity with Guidelines on use of prequalifies valuers: During the year under review, an employee was awarded mortgage loan facility of Kshs.8, 000,000.However, review of the application form filed by the employee revealed that management relied on a valuation report from a local valuer who was not prequalified and listed in the panel of the Fund Administration , Stima Deposit Taking (DT) Sacco. This was contrary to clause 5.1 (c) of the staff mortgage scheme guidelines which provides that one of the preconditions for the purchase of ready residential houses is provision of a valuation report done by a valuer on Stima Sacco DT Panel, complete with photograph of the property being purchased.</p> <p>In the circumstances, management was in breach of the regulations.</p>	<p>Management acknowledges the observation regarding the use of a valuation report from a valuer who is not reflected in the current panel of prequalified valuers under the Stima Sacco Deposit Taking (DT) Fund Administration.</p> <p>However, it is important to clarify that at the time the staff member engaged the services of the said valuer, the valuer was duly listed in the official panel of prequalified valuers. The selection and engagement were therefore carried out in full compliance with Clause 5.1 (c) of the Staff Mortgage Scheme Guidelines, which requires valuation reports to be prepared by valuers on the approved panel.</p> <p>Subsequently, the valuer was discontinued from the panel on 21st March 2024, after the valuation had already been completed and submitted as part of the mortgage application process. As a result, the valuer does not appear in the current list of approved valuers shared with the audit team, but was</p>	Resolved	N/A

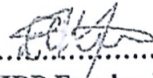
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Audit report Ref	Issue / Observations from Auditor	Management comments	Status	Timeframe
		<p>legitimately on the panel at the time of engagement.</p> <p>Therefore, management maintains that there was no breach of the guidelines, as the process adhered to the requirements in force at the material time.</p>		

Signed by:



 CS Dr. Rose Mkalama
 Chief Executive Officer



 CHRP Everlyn Koech
 Scheme Administrator

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Annex II: Inter-Fund Confirmation Letter

Name of transferring entity: Rural Electrification and Renewable Energy Corporation (REREC)

Name of beneficiary entity: REREC Staff Mortgage and Car Loan Scheme

Confirmation Of Amounts Received By Stima DT Sacco As At 30th June 2024

Bank Reference Number	Date Disbursed	Recurrent (A) Kshs	Development (B) Kshs	Total (C)=(A+B) Kshs	Remarks
KE1OL250417006EB	17 th April, 2025	-	15,635,923.35	15,635,923.35	Incremental Funding
KE1OL250424001RK	24 th April, 2025	-	34,346,076.65	34,346,076.65	Incremental Funding
Total		-	49,982,000.00	49,982,000.00	

I confirm that the amounts shown above are correct as of the date indicated.

Head of Accounts Department - Disbursing Entity:

Name CPA PAUL CHIRUMU Sign [Signature] Date 28/08/2025

Head of Accounts Department - Beneficiary Entity:

Name Margaret Odior Sign [Signature] Date 29th August 2025

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Annex III: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

Note: There were no information of Climate Relevant Expenditures

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Annex IV: Reporting on Disaster Management Expenditure

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (KShs.)	Comments

Note: There were no information on Disaster Management Expenditure