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REPORT

OF

THE AUDITOR-GENERAL

ON

RURAL KENYA FINANCIAL INCLUSION FACILITY (RK FINFA) (IFAD LOAN NO. 2000004121 AND IFAD LOAN NO.2000004122)

FOR THE YEAR ENDED 30 JUNE, 2025

THE NATIONAL TREASURY

The National Treasury & Economic Planning

The National Treasury

REPUBLIC OF KENYA

RURAL KENYA FINANCIAL INCLUSION FACILITY

(RK FINFA)

The National Treasury and Economic Planning

Directorate of Budget, Fiscal and Economic Affairs

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IFAD LOAN NO. 2000004121/22

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30 JUNE, 2025

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

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1. ACRONYMS AND GLOSSARY OF TERMS

A/C	Account
AFD	Agence Française de Développement
AWPB	Annual Work Plan and Budget
BDS	Business Development Services
BETA	Bottom-Up Economic Transformation Agenda
Comparative FY	Financial year preceding the current financial year.
CGS	Credit Guarantee Scheme
DT-SACCO'S	Deposit Taking SACCO's
ESM	Environmental and Social Management
Eur	Euro
FMS	RKFINFA Financial Management System
GFF	Green Financing Facility
GOK	Government of Kenya
IFAD	International Fund for Agricultural Development
IFR	Interim Financial Report
IPSAS	International Public Sector Accounting Standards
Ksh	Kenya Shilling
MFB	Micro Finance Banks
MSME	Micro, Small and Medium Enterprises
MTEF	Mid Term Plan and Expenditure Framework
NT	National Treasury
PBAS	Performance Based Allocation System
PSASB	Public Sector Accounting Standard Board
PFI	Participating Financial Institutions
PIM	Project Implementation Manual
PMU	Project Management Unit
PSC	Project Steering Committee
R-CGS	Rural- Credit Guarantee Scheme
RK FINFA	Rural Kenya Financial Inclusion Facility
SACCO	Savings and Credit Cooperative Organizations
USD	United States, Dollar
HFC	HFC Bank
ICPAK	Institute of Certified Public Accountants of Kenya
USD	United States, Dollar

2. PROJECT INFORMATION AND OVERALL PERFORMANCE

2.1. Name and registered office

Rural Kenya Financial Inclusion Facility (RK FINFA)

Objective
The objective of the Project is increased rural financial inclusion and green investments by agriculture value chain stakeholders, leading to equitable employment opportunities, innovative and resilient production systems, and increased incomes for smallholders, poor and marginalised rural households, women and youth.

Address
The Project Management Unit, RK FINFA
Directorate of Budget, Fiscal and Economic Affairs
The National Treasury,
P.O Box 30007 00100,
Nairobi- Kenya.

Contacts
Principal Secretary
The National Treasury
Telephone: (254) 20 2252299

2.2. Project Information

Facility Start Date	The Project Financing Agreement came into force on June 02, 2022.
Facility End Date	The Project Completion Date shall be 30 June 2028; and the Closing Date shall be 31 December 2028.
Project Manager	The Project is under the leadership of Mr. John Kabutha, the Project Coordinator.
Development Partner	The Facility is availed under IFAD Loan no. 2000004121/22.

2.3. Project Overview

Line Ministry/State Department of the Facility	The Project is under the supervision of the Directorate for the Budget, Fiscal & Economic Affairs, under the National Treasury.
Facility Number	IFAD Loan No. 2000004121/22
Goal	The Project goal is "*Poverty Reduction, Climate Change Resilience and Improved Livelihoods in Rural Areas*".
Objectives	The objective of the facility is increased rural financial inclusion and green investments by agriculture value chain stakeholders, leading to equitable employment opportunities, innovative and resilient production systems, and increased incomes for smallholders, poor and marginalised rural households, women and youth.
Other important background information of the Facility	The Facility consists of the following three Components:
A) Technical Support and Innovation Services (TSIS)	i) PFI Capacity Building for Rural Outreach and Innovation sub-component is designed for the capacity building of participating commercial banks, MFBs and DT-SACCOs (PFI's) to provide rural and agriculture financial services, to implement green investment portfolios, and for effective ESM systems. ii) Business Development Services for Agribusinesses and Smallholders (BDS) sub-component is designed to build MSME and smallholder sustainable investment capacities and financial literacy skills particularly tailored to reach women, youth and marginalized groups.
B) Rural Investment Instruments	i) Rural Credit Guarantee Scheme (R-CGS) is designed to provide a risk sharing mechanism to promote rural outreach innovations and catalyse funding from mainstream financial institutions into the rural and agriculture sector. ii) Green Financing Facility (GFF) is designed to support the innovative and sustainable transformation of Kenya's rural economy. The GFF will contribute to the sustainable rural transformation, growth, and income generation through alleviating the liquidity constraints of non-bank financial institutions and micro-finance Banks that are the main financial service providers to smallholders and rural micro-enterprises, and by encouraging small-scale farmers and micro-firms to invest in climate smart and environmentally friendly activities.

C) Enabling Rural Finance Environment and Project Coordination	Enabling Rural Finance Environment aims to promote policies and institutional arrangements that support the development of a more conducive operational environment of the R-CGS and the GFF, therefore, fostering the capacity to improve rural financial intermediation. The Project Coordination is aimed at ensuring an efficient and cost- effective use of Facility and complementary donor resources to achieve the development objective.
Situation that the Facility was formed to intervene	The Facility is projected to benefit 190,000 rural Kenyan households, including both direct and indirect clients. This includes direct financial and technical services to 68,000 households and MSMEs, covering: (i) an estimated 66,000 economically active smallholder households; and (ii) 2,000 rural MSMEs engaged in smallholder-inclusive value chains. Indirect outreach of the project includes: (i) estimated 32,000 persons through employment in the Facility supported agribusinesses and farms; and (ii) 90,000 smallholder households through participation in the value chain strengthened by the supported agribusinesses. The targeting focus is on low-income, economically active rural households, with specific targets on 50 per cent of women and 30 per cent of youth participation in both capacity building and financing activities. The Facility design provides comprehensive strategies and guidelines for poverty, gender and youth targeting.
Facility duration	The Project Financing Agreement came into force on June 02, 2022 with a completion date of June 30, 2028. The financing closing date shall be 31 December, 2028. The current loan is financed under the IFAD Performance Based Allocation System (PBAS) 11 with an additional allocation of USD 28 million expected from PBAS 12.

2.4 Bankers

Euro Accounts:
Central Bank of Kenya
Account No. 1000607254
Account No. 1000607262

Ksh Accounts:
HFC Bank
Account No. 9783828000
Account No. 9783828002

2.5 Auditors

Auditor-General
Anniversary Towers, University Way
P.O. Box 30084 00100
Nairobi – Kenya
Tel: +254 2034233

2.6 Key Staff Members

The PMU team is based in Nairobi and is responsible for the Facility management and coordination functions. The following were the key Staff of the PMU during the reporting period.

Name	Title and Designation	Key Qualification	Responsibilities
KABUTHA John	Project Coordinator	BA (Hons) (Economics) MA (Economics)	Project Coordination
NJERU Michael	Financial Controller	FA, CPA, BCom (Hons), MSC (International Development), Master in Public Policy and Management	Logistical Management of Project Resources and Deputising Coordinator
NEKESA Patrick	Senior Rural Finance Specialist	Bachelor of Science in Agriculture, Master of Philosophy in Agriculture Economics and Management	Head, Rural Finance

MUSYOKA Philip	Senior Monitoring and Evaluation Specialist	BA (Economics), University of Nairobi MA (Economic Policy Management), PhD (Economics).	Head, Monitoring and Evaluation

2.7 Funding Summary

A. Sources of Funds

Funding Summary: The Facility runs from June 02, 2022 to December 31, 2028. The drawn facility as at June 30, 2025 of Eur 8,171,158 represents 42% of the loan facility as shown on the table below. Overall, the Project outturn is at 21% including the Counterpart budget outturn of 3%. The Government of Kenya contribution is based on the Government PDR commitment of USD 24Million at Facility design. The USD 24M is consistently translated using the average Euro rate for the loan drawdowns. The average rate to date is Ksh143.09 to the Euro. The Bank of England Euro/Dollar closing spot rate for June 2025 is used as a base for the Counterpart commitment at design, equivalent to Euro 21,998,400. Counterpart Commitment is consistently given as Euro 21,998,400 and translated using average rate for drawdowns to give current matching values

Source of funds	Loan/Counterpart Commitment		Amount received to date – (30th June 2025)		Undrawn closing balance		Absorption
	Eur	Ksh	Eur	Ksh	Eur	Ksh	%
Loan 2000004121	6,240,000	908,913,157	5,843,913	850,934,561	396,087	57,978,596	94%
Loan 2000004122	12,660,000	1,844,044,962	2,327,245	318,242,439	10,332,755	1,525,802,523	17%
Total Loan Facility	**18,900,000**	**2,752,958,119**	**8,171,158**	**1,169,177,000**	**10,728,842**	**1,583,781,119**	42%
Government of Kenya	21,998,400	3,204,268,460	619,338	82,800,000	21,379,062	3,121,468,460	3%
Total Facility	***40,898,400***	***5,957,226,579***	***8,790,496***	***1,251,977,000***	***32,107,904***	***4,705,249,579***	21%

B. Application of Funds

Application of Funds	Amount received to date		Cumulative amount paid to date		Unutilised balance to date (June 30 2025)	
	Loan currency (Eur)	Ksh	Loan currency (Eur)	Ksh	Loan currency (Eur)	Ksh
	(A)	(A')	(B)	(B')	(A-B)	(A')-(B')
i)Loan						
IFAD- Loan 1	5,843,913	850,934,561	5,843,913	850,934,561	-	-
IFAD- Loan 2	2,327,245	318,242,439	181,726	26,002,438	2,145,519	249,702,777

Sub - Total	**8,171,158**	**1,169,177,000**	**6,025,639**	**876,936,999**	**2,145,519**	**249,702,777**
ii)Counterpart funds						
Government of Kenya	619,338	82,800,000	619,338	82,800,000	-	-
Total	**8,790,496**	**1,251,977,000**	**6,644,977**	**959,736,999**	**2,145,519**	**249,702,777**

2.8 Overall Facility Performance

Government Preparedness and Beneficiary Outreach: The third year of the Project was geared towards startup activities that included resources mobilization and partners engagement in line with the Project Design commitments. The total facility at design is estimated at USD 134M. The Government commitment is USD 24M or about 17.9% compared to IFAD Loan commitment of USD 22M or 16.4%. The difference of USD 88M is to be leveraged with the Partner Institutions. Mobilization of Resources and partners engagement in the third year was critical in enhancing project outreach. The project resources were enhanced through partnership with AFD for an equivalent commitment of Ksh 146M and Finish Government of about Euro 2,150,000 or Ksh 308M. The additional resources will be recognised revenue for the financial year 2025/6. Additional resources of Ksh 6.7M was raised through Cordaid partnership.

IFAD and Government Financing: The budget outturn for the year closed at 76% or Ksh 604M of the budgeted Ksh 800M. Non achieved activities during the year have been rolled over to financial year 2025/6 and have received relevant approvals.

2.9 Summary of Facility Compliance

The Project ensures that all its activities are carried out within the enabling legal framework and that relevant procedures have been followed.

2.10 Governance, Roles and Responsibilities

Governance relates to the way power and authority is exercised and distributed within the Project. RK FINFA's policy of good governance is about making sure that this power and authority is not concentrated in the hands of a single individual or group. Therefore, checks and balances have been put in place within the Facility to separate and balance the power between the Project Management Unit, the Lead Agency (NT) and the Facility Steering Committee, with clear lines of accountability between them. RK FINFA recognizes that sound governance arrangements are necessary to support effective financial management and to ensure proper accountability over the use of Facility funds and effective implementation.

RK FINFA's governance structure is as follows:

2.11 The Facility Steering Committee (PSC)

The Facility steering committee is composed as follows:

	Name	Agency
1.	Dr. Chris Kiptoo, CBS	Principal Secretary, National Treasury (Chair Person)
2.	Mr. Albert Mwenda	DG-BFEA - The National Treasury (Alternate to PS National Treasury)
3.	Ms. Rosemary Nyamu	Kenya School of Agriculture; (Alternate to PS)
4.	Ms. Jane Ciaciumia	Central Bank of Kenya (CBK); (Alternate to Governor)
5.	Mr. Benson Kimani	State Department for Planning; (Alternate to PS)
6.	Ms. Jackline Makokha	State Department for Gender (SDfG); (Alternate to PS)
7.	Mr. Churchill Amatha	State Department for Cooperatives (SDC); (Alternate to PS)
8.	Dr. David Kahuthu	Sacco Society Regulatory Authority (SASRA)
9.	Mr. Lewis Suke	Ministry of Environment & Forestry; (Alternate to PS)
10.	Ms. Emma Mburu	The National Treasury & Planning (RMD), RMD IFAD Desk Officer
11.	Ms. Nancy Chotero	Association of Microfinance Institutions (AMFI Kenya)
12.	Dr. Samuel Tiriongo	Kenya Bankers Association (KBA)
13.	Ms. Damiana Ndambuki	State Department for Micro, Small and Medium Enterprises (Alternate to PS)
14.	Mr. John Maina	State Department for Livestock (Alternate to PS)
15.	Ms. Rebecca Muritu	State Department for Blue Economy and Fisheries (Alternate to PS)
16.	Mr. John Kabutha	RK FINFA Coordinator -Secretary

PSC has oversight responsibility for the Facility and its role include the following:

i. Advise the Project and the other RK FINFA implementing partners on policy issues to ensure that activities undertaken are in line with Facility objectives, national policies and procedures;
ii. Encourage coordination with other rural financial sector partners and programmes to build synergies and avoid duplication;
iii. Approve Facility Annual Work Plans and Budget;
iv. Receive and review Facility progress reports.

During the year, the PSC met as follows;

	Name	Designation	Planned Meetings	Attendance
1	Dr. Chris Kiptoo, CBS	Chairperson	3	1
2	Mr. Ronald Inyangala	Alternate Chairperson	3	3
3	Ms. Rosemary Nyamu	Alternate Member, PS Crops	3	2
4	Eng. Jonah Kibeney	Alternate member, PS Agriculture- replaced Ms. Rosemary Nyamu	3	1
5	Jane Ciacumia	Alternate Member, Governor CBK	3	3
6	Mr. Benson Kimani	Alternate Member, PS Planning	3	3
7	Ms. Jackline Makokha	Alternate Member, PS Gender	3	3
8	Mr. Churchill Amatha	Alternate Member, PS Cooperatives	3	3
9	Dr. David Kahuthu	Member, SASRA	3	3
10	Mr. Lewis Suke	Alternate Member, PS Environment	3	2
11	Ms. Pauline Mugambi	Alternate Member, PS Environment (replaced Lewis Suke)	3	1
12	Mr. Kennedy Nyachiro	Member, RMD IFAD Desk	3	3
13	Ms. Nancy Chotero	Member AMFI	3	3
14	Dr. Samuel Tiriongo	Member KBA	3	3
15	Ms. Damiana Ndambuki	Alternate Member, PS MSME	3	2
16	Mr. John Maina	Alternate Member, PS Livestock	3	1

17	Ms. Rebecca Muritu	Alternate Member, PS Blue Economy and Fisheries	3	2
18	Mr. John Kabutha	Secretary	3	3

2.12 The Project Management Unit

The Project Management Unit (PMU) is housed at the National Treasury within the Directorate of Budget, Fiscal and Economic Affairs. PMU is responsible for the day to day running of the Facility and is also directly accountable to the Director, Financial and Sectoral Affairs. Its specific roles include:

a) Secretariat to the Facility Steering Committee;
b) Day-to-day operational responsibility for RK FINFA implementation;
c) Inter-linkage between different arms of government, IFAD, Development Partners and private sector organizations involved in rural finance activities;
d) Compilation of RK FINFA Annual Work plan and Budget;
e) Prepare and submit comprehensive and informative Facility implementation progress and financial reports to GOK and IFAD
f) Work with on-going IFAD initiatives in the country to establish relevant linkages and synergies;
g) Disburse and control the flow of funds, under various contractual and partnership agreements;
h) Manage Facility finances prudently and consistent with the GOK and IFAD requirements and internationally acceptable practices;
i) Monitor and evaluate all activities under the Programme;
j) Ensure that all subsidiary agreements with the participating financial institutions and technical providers are performance-based contracts and that they are regularly monitored.

3. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

The key development objectives of RK FINFA are increased rural financial inclusion and green investments by targeted value chain stakeholders, leading to equitable employment opportunities, innovative and resilient production systems, and increased incomes for smallholders, poor and marginalised rural households, women and youth.

Progress on attainment of Strategic development objectives

In line with Section 81 (2)(f) /Section 164 (2)(f) of the Public Finance Management Act, 2012 that requires the entity disclosure of performance against predetermined objectives, the project continued aligning to the Government Mid Term Plan and Expenditure Framework (MTEF). This was achieved by ensuring that the Project continued its recognition in the MTEF as a Bottom-Up Economic Transformation Agenda (BETA). Below is the Facility achievement of its strategic objectives during the year;

Strategic Key Deliverables During the Year

Objective	Outcome	Indicator	Performance
Promote the MSMEs sector to achieve BETA	Strengthen the capacities for rural-based financial institutions to innovate, enhance rural outreach and green finance services	Number of financial institutions strengthened	6 out of 8
	Strengthen the bankability, business planning capacity, investment start-up and financial management skills of the rural-based MSMEs and smallholder farmers	Number of MSMEs and smallholder farmers receiving business development services	110 out of 150 MSMEs and 3,818 out of 4,000 smallholder farmers
	Operationalize rural credit guarantee scheme (RCGS) for improved access to finance by the rural-based MSMEs and smallholder farmers	Number of commercial banks onboarded into RCGS	The procurement process for the commercial banks was completed and is awaiting ratification
	Implement the green financing facility (GFF) to alleviate the liquidity constraints of rural-based financial institutions and promote investments in climate smart and environmentally friendly activities	Number of rural financial institutions onboarded into GFF and number of farmers accessing finance	6 out of 8 financial institutions onboarded and 354 out of 2000 smallholder farmers accessed finance

Contribute in creation of conducive policy and institutional environment for increased rural financial intermediation, to support rural and agriculture transformation in Kenya	Partnership agreement with FSDK as the policy partner	The partnership with FSDK was completed

Challenges

The table below summarises the key challenges encountered during the Facility implementation and relevant intervention during the year.

Challenges	Intervention
Onboarding of Implementing Partners.	The Project Management Unit in collaboration with IFAD entered into a working matrix in order to ensure that the Implementing Partners are timely onboarded. The action plan yielded onboarding of all the Implementing Partners. The Implementing partners have embarked on their various roles that have yielded the outcome of the strategic objectives.

4. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The Facility continue to pursue social objective in line with the Government Development Plans, and is focused to build on sustainable instruments in mainstreaming rural agriculture finance. The design of the project is deliberate on the Environmental and Sustainability objectives. The GFF facility which is an environmental initiative is intentionally designed to offer a permanent facility for agriculture green rural financing post RKFINFA. Reporting of climate relevant expenditure is given as Annex 6.

Similarly, the framework for the R-CGS implementation ensure that the rural agriculture continue receiving financing post RKFINFA through support for an enabling policy framework and partners capacity building. Furthermore, the National Credit Guarantee Scheme established as a permanent Government Credit Guarantee Scheme was conceived under the first Rural Finance pilot phase.

Community Engagements

The Project is community centric. The Facility core focus is on the poverty reduction, climate change resilience and improved livelihoods for the rural community.

5. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Principal Secretary, the National Treasury and the Project Coordinator for the Rural Kenya Financial Inclusion Facility (RK FINFA) are responsible for the preparation and presentation of the Programme's financial statements, which give a true and fair view of the state of affairs of the Facility for and as at the end of the financial period ended on June 30, 2025. This responsibility includes (i) Maintaining adequate financial management arrangement 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 project; (iii)Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud;(iv) safeguarding the assets of the programme; (v)Selecting and applying appropriate accounting policies; and (v)Making accounting estimates that are reasonable in the circumstances.

The Principal Secretary, the National Treasury and the Facility Coordinator for RK FINFA accept responsibility for the Project's financial statements, which have been prepared on the Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Principal Secretary, the National Treasury and the Facility Coordinator for RK FINFA are of the opinion that the Programme's financial statements give a true and fair view of the state of Programme's transactions during the financial year ended June 30, 2025 and of the Project's financial position as at that date. The Principal Secretary, the National Treasury and the Facility Coordinator for RK FINFA further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Facility financial statements as well as the adequacy of the systems of internal financial control.

The Principal Secretary, the National Treasury and the Facility Coordinator for RK FINFA confirm that the Facility has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Facility funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Facility financial statements

The Facility financial statements were approved by the Principal Secretary, the National Treasury and the Facility Coordinator for RK FINFA on July 25, 2025 and signed by them.

Dr. Chris Kiptoo, CBS	**John Kabutha**
Principal Secretary/ NT	**Project Coordinator**

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REPORT OF THE AUDITOR-GENERAL ON RURAL KENYA FINANCIAL INCLUSION FACILITY (RK FINFA) (IFAD LOAN NO. 2000004121 AND IFAD LOAN NO. 2000004122) FOR THE YEAR ENDED 30 JUNE, 2025 – THE NATIONAL TREASURY

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.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of the Rural Kenya Financial Inclusion Facility (RK FINFA) (IFAD Loan No.2000004121 and IFAD Loan No.2000004122) set out on pages 1 to 28, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Rural Kenya Financial Inclusion Facility (RK FINFA) (IFAD Loan No.2000004121 and IFAD Loan No.2000004122) 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 Loan Financing Agreements No.2000004121 and No.2000004122 between the International Fund for Agricultural Development (IFAD) and the Republic of Kenya dated 2 June, 2022 and the Public Finance Management Act, 2012.

In addition, the special account statements present fairly, transactions for the year, and the closing balance has been reconciled with the books of account.

Basis for Opinion

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Rural Kenya Financial Inclusion Facility 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.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budgeted and actual receipts of Kshs.650,000,000 and 650,262,267 resulting in excess receipt of Kshs.262,267. Further, the statement reflects total payments of Kshs.464,412,573 against total receipts of Kshs.650,262,267 resulting in an under expenditure of Kshs.185,849,694 or 29% of the budget.

The under-utilization of the budget may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Delay in Meeting Project Milestones

The Project is designed to boost rural financial inclusion and green investments through three main components: technical support, rural investment instruments and creating an enabling finance environment. The Project has a planned completion date of 30 June, 2028. Review of the project status report for the year ended 30 June, 2025 indicated that only 357 beneficiaries comprising of 339 farmers and 18 Micro, Small, and Medium Enterprises were onboarded against a combined target of 1,660 for the year under review. Cumulatively only 4,529 beneficiaries have been onboarded, representing 17% of the beneficiary target level of 26,400 set for the upcoming 2025/2026 mid-term review.

Consequently, it is not clear whether the Project will achieve its intended objectives within the scheduled timeframe given this low rate of onboarding target beneficiaries.

Other Information

Management is responsible for the other information set out on page iv to xvi which comprise of Project Information and Overall Performance, Statement of Performance Against Predetermined Objectives, Environmental and Sustainability Reporting and Statement of the Project Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of the Management and 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 Project'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 project'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 for 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

15 October, 2025

7. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2025

	Note	Receipts and payments controlled by the entity 2024/2025	Payments made by third parties 2024/2025	Total
REVENUE		Kshs	Kshs	Kshs
Loan Revenue	2	604,241,997	-	604,241,997
Other receipts	3	39,270,270	-	39,270,270
Implementing Partners Revenue	4		6,750,000	6,750,000
TOTAL REVENUE		643,512,267	6,750,000	650,262,267
EXPENSES				
Compensation to employees	5	71,853,633	-	71,853,633
Purchase of goods and services	6	103,039,807	-	103,039,807
Transfers to other government entities	8	240,000,000	-	240,000,000
Payments by non government entities	9	32,462,682	6,750,000	39,212,682
TOTAL EXPENSES		447,356,122	6,750,000	454,106,122
SURPLUS/(DEFICIT)		**196,156,145**	-	**196,156,145**

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements. The financial statements were approved on 25 July 2025 and signed by:

Dr. Chris Kiptoo, CBS Principal Secretary/ NT	John Kabutho Project Coordinator	FA CPA NJERU Michael Financial Controller ICPAK Member No. 3125

8. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2025

	Note	2024/2025	1st July 2024
		Kshs	Kshs
FINANCIAL ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	10	995,665,461	432,600,767
Transfers to non-Government Entities - Receivables	9	15,567,758	-
Prepayments	12	300,001	-
TOTAL CURRENT ASSETS		1,011,533,220	432,600,767
NON-CURRENT ASSETS			
Acquisition of non- financial assets	7	4,573,121	3,775,021
TOTAL NON- CURRENT ASSETS		4,573,121	3,775,021
TOTAL FINANCIAL ASSETS		**1,016,106,341**	**436,375,788**
LIABILITIES			
CURRENT LIABILITIES			
Deferred Income	11	(666,429,853)	(289,214,853)
Accrued Salary		6,359,408	-
TOTAL CURRENT LIABILITIES		672,789,261	289,214,853
NET ASSETS		**343,317,080**	**147,160,935**
REPRESENTED BY:			
Accumulated Surplus		343,317,080	169,249,173
Fund Balance B/fwd. (Opening Balance)		-	(22,088,238)
NET ASSETS		**343,317,080**	**147,160,935**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 25 July 2025 and signed by:

Dr. Chris Kiptoo, CBS **Principal Secretary/ NT**	**John Kabutha** **Project Coordinator**	**FA CPA NJERU Michael** **Financial Controller** **ICPAK Member No. 3125**

9. STATEMENT OF CHANGES IN NET ASSETS

Description	Accumulated Surplus Kshs
As at 30th June 2024 (Cash Basis)	432,600,767
Adjustments: (Fixed Assets)	3,775,021
Adjustments: (Deferred Income)	(289,214,853)
As at 1st July 2024	147,160,935
Surplus/(Deficit) for the period	196,156,145
As at June 30 2025	343,317,080

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 25 July 2025 and signed by:

Dr. Chris Kiptoo, CBS Principal Secretary/ NT	John Kabutha Project Coordinator	FA CPA NJERU Michael Financial Controller ICPAK Member No. 3125

10. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2025

Cashflow from operating activities	2024/2025 Kshs
Receipts from Operating Activities	
Loan Revenue	604,241,997
Other receipts	39,270,270
Deferred Income	377,215,000
Total receipts	**1,020,727,267**
Payments from Operating Activities	
Compensation of employees	65,494,225
Purchase of goods and services	103,339,808
Transfer to other government entities	240,000,000
Transfer to non government entities	48,030,440
Total Payment	**456,864,473**
Net cash flow from operating activities	563,862,794
Cashflow from Investing Activities	
Acquisition of non- financial assets	798,100
Net cash flow from Investing activities	**798,100**
Net increase in cash and cash equivalents	563,064,694
Cash and cash equivalent as at 1st July 2024	**432,600,767**
Cash and cash equivalent at END of Period September 30 2024	995,665,461

The accounting policies and explanatory notes to these financial statements form an integral part of the financial Statements. The entity financial statements were approved on 25 July 2025 and signed by:

Dr. Chris Kiptoo, CBS **Principal Secretary/ NT**	**John Kabutha** **Project Coordinator**	**FA CPA NJERU Michael** **Financial Controller** **ICPAK Member No. 3125**

11. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2025

Receipts/Payments Item	Note	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
		a	b	c=a+b	d	e=c-d	f=d/c %
Receipts		Ksh	Ksh	Ksh	Ksh	Ksh	
Proceeds from Borrowings	2	1,878,000,000	1,228,000,000	650,000,000	604,241,997	45,758,003	93%
Other receipts	3	-	-	-	39,270,270	-39,270,270	0%
Implementing Partners Revenue	4	-	-	-	6,750,000	-6,750,000	0%
Total Receipts		1,878,000,000	1,228,000,000	650,000,000	650,262,267	-262,267	100%
Payments							
Compensation to employees	5	73,055,419	-	73,055,419	65,494,225	7,561,194	90%
Purchase of goods and services	6	352,927,841	142,254,307	210,673,534	103,339,808	107,333,726	49%
Acquisition of non-financial assets	7	11,717,650	-	11,717,650	798,100	10,919,550	7%
Transfers to other government entities	8	500,000,000	260,000,000	240,000,000	240,000,000	-	100%
Transfers to non-government entities	9	940,299,090.00	825,745,693	114,553,397	54,780,440	59,772,957	48%
Total Payments		1,878,000,000	1,228,000,000	650,000,000	464,412,573	185,587,427	71%
Surplus	14				185,849,694		

Dr. Chris Kiptoo, CBS
Principal Secretary/ NT

John Kabutha
Project Coordinator

FA CPA NJERU Michael
Financial Controller
ICPAK Member No. 3125

12. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Rural Kenya Financial Inclusion Facility (RKFINFA) is a Government Project under the National Treasury whose mandate is to facilitate financial inclusion to the rural population, especially within the agricultural value chain.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS).

These financial statements were authorized for issue by the accounting officer on July 25, 2025.

3. Adoption of New and Revised Standards

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

Standard	Effective date and impact:
IPSAS 43	***Applicable 1st January 2025*** The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. RKFINFA did not have a leasing facility as at the date of the reporting.

Standard	Effective date and impact:
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. *RKFINFA is non-commercial project*
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. *Assets under this class are recognized in the first year using the purchase price and thereafter will be depreciated using the National Treasury depreciation rates.*
IPSAS 46 Measurement	***Applicable 1st January 2025*** The objective of this standard was to improve measurement guidance across IPSAS by:

Standard	Effective date and impact:
	i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value. *Statements in this report are measured using the exchange value at the date of the transaction.*

Standard	Effective date and impact:
IPSAS 47- Revenue	***Applicable 1st January 2026*** This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.
IPSAS 48- Transfer Expenses	***Applicable 1st January 2026*** The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses

	and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49- Retirement Benefit Plans	***Applicable 1st January 2026*** The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan. *RKFINFA does not operate a retirement benefits plan.*
IPSAS 50: Exploration For & Evaluation of Mineral Resources	***Applicable 1st January 2027*** The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. 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. *RKFINFA does not conduct exploration for and evaluation of mineral resources.*

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

iii) Early adoption of standards

RKFINFA has adopted relevant standards in line with the PSASB guidance.

4. Summary of 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 entity 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 have 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 each period.

b) Budget information

The original budget for FY 2024/5 was approved as per the National Budget approval process. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals to conclude the final budget. RKFINFA budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on 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.

c) Property, plant and equipment

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 or construction of the item of property, plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity 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) Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

e) 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. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

f) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

i. The technical feasibility of completing the asset so that the asset will be available for use or sale.
ii. Its intention to complete and its ability to use or sell the asset.
iii. How the asset will generate future economic benefits or service potential
iv. The availability of resources to complete the asset.
v. The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

g) 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.*
Financial assets

Classification
The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity, or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when

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

Subsequent measurement

Based on the business model and the cash flow characteristics, the RKFINFAclassifies 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.

Other receivables

Other receivables are recognized at fair values less allowances for any uncollectible amounts. 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

RKFINFA 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. RKFINFA recognizes a loss allowance for such losses at each reporting date. There was no Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) during the year..

Financial liabilities

Classification

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

h) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

i. Raw materials: purchase cost using the weighted average cost method.

ii. Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.
Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of RKFINFA.

i) Provisions

Provisions are recognized when the RKFINFA has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the RKFINFA expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

RKFINFA 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.

Contingent assets

RKFINFA 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 *Entity* 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.

j) Nature and purpose of reserves

RKFINFA creates and maintains reserves in terms of specific requirements. There were no reserves during the year.

k) Changes in accounting policies and estimates

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

l) Employee benefits

Retirement benefit plans

The *Entity* provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

m) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

n) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.
Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

o) Related parties

RKFINFA regards a related party as a person or an entity with the ability to exert control individually or jointly or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the Principal and senior managers.

p) Service concession arrangements

RKFINFA analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, RKFINFA recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, RKFINFA also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include earned amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

r) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025

s) Currency

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

The condition of the asset based on the assessment of experts employed by the *Entity*.
The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
The nature of the processes in which the asset is deployed.
Availability of funding to replace the asset.
Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. There were no provisions during the year.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Statement notes

Revenue Transfers

1. Transfers from Government

During the financial year there were no disbursements from the government.

2. Loan from External Development Partners

During the financial year, the project received Ksh. 604,241,997 from IFAD Loans as shown in the comparative table below.

Name of Development Partner	Date received (Operational Account	Amount received in donor currency (EURO)	Loans received in cash (Kshs)	Loans received as direct payment (Kshs)	Total amount in Kshs
IFAD	02/09/2024	1,586,187	225,746,408	-	225,746,408
IFAD	23/12/2024	337,535	46,068,788	-	46,068,788
IFAD	27/01/2025	1,989,710	272,173,651	-	272,173,651
IFAD	14/04/2025	160,610	22,446,033	-	22,446,033
IFAD	30/06/2025	250,316	37,807,117	-	37,807,117
Total			**604,241,997**	**-**	**604,241,997**

3. Other Receipts

	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts
	KSh	KSh	KSh
Bank Interest	39,270,270	-	39,270,270
Total	**39,270,270**	**-**	**39,270,270**

During the year, the Project received a gross of Ksh. 39,270,270 in respect to Bank deposit interest earnings.

4. Proceeds from Implementing Partner

Description	FY 2024/25 KSh	Cumulative Ksh
Cordaid	6.750,000	6,750,000
Total	**6.750,000**	**6,750,000**

In line with the Implementation framework, Ksh 6,750 000 was received and utilised by Cordaid In the Implementation of TSIS contract.

5. Compensation of Employees

FY 2024/2025

	Payments made by the Entity in Cash	Payments made by third parties	Total payments
	Ksh	Ksh	Ksh
Staff emoluments	70,305,406	-	70,305,406
Employer - National Social Security Scheme	460,080	-	460,080
Employer - NITA	7,400	-	7,400
Employer - Affordable Housing Scheme	1,080,747	-	1,080,747
Total	**71,853,633**	**-**	**71,853,633**

Compensation of Employees include June salary earned but not paid, Ksh 6,359,408. This is payable in the month of July 2025.

6. Purchase of Goods and Services

	FY 2024/2025		
	Payments made in Cash	Payments made by third parties	Total payments
	Ksh	Ksh	Ksh
Utilities, supplies and services	3,172,583	-	3,172,583
Communication, supplies and services	972,081	-	972,081
Domestic travel and subsistence	8,618,859	-	8,618,859
Gender mainstreaming	10,428,100	-	10,428,100
Training Payments	217,150	-	217,150
Hospitality supplies and services	8,659,063	-	8,659,063
Insurance costs	4,597,426	-	4,597,426
Other operating payments	65,419,516	-	65,419,516
Routine maintenance – vehicles and other transport equipment	955,028	-	955,028
Total	**103,039,807**	**-**	**103,039,807**

7. Acquisition of Non-Financial Assets

Below are the non-financial assets acquired during the financial year.

	Payments made by the Entity in Cash	Payments made by third parties	Total Payments
	KSh	KSh	KSh
Purchase of Office Furniture & General Equipments	798,100	-	798,100
Total	**798,100**	**-**	**798,100**

The summary of fixed asset register is given as Annex 4 of this report.

8. Transfers to other Government Entities

	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Cumulative payments to date
	KSh	KSh	KSh	KSh
Transfer to Agricultural Finance Corporation	240,000,000	-	240,000,000	540,000,000
Total	**240,000,000**	**-**	**240,000,000**	**540,000,000**

9. Payments by Non- government Entities

	Transfers to Non-Governmental Organizations	**Implementing Partners Revenue**	**Total Contribution**	**Expenditure made by entity**	**Balance Due to the Project**
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Implementing partner- Cordaid	41,910,440	6,750,000	48,660,440	39,107,914	9,552,526
Implementing partner- FSD	6,120,000	0	6,120,000	104,768	6,015,232
Total	**48,030,440**	**6,750,000**	**54,780,440**	**39,212,682**	**15,567,758**

Payments by non government entities relates to reported expenditures by the implementing partners. Cash balances held by these entities are recognized as receivables as per above.

10. Cash and Cash Equivalents

	KSh
Bank accounts (Note 10A)	957,658,344
Administration	200,000
Cash Equivalents (Cash on transit) – Development D1071	37,807,117
Total	**995,665,461**

The project has two foreign accounts that are operated by the National Treasury. At the operational level, the project operates two local currency accounts. Revenue earned amount of Ksh 37.8M was on transit as at end of period. The balances for each of the accounts as at June 30, 2025 is given below.

10A. Operational Bank Accounts

HFC -9783828000-0	249,702,777
HFC -9783828002-0	707,955,567
Total local currency balances	**957,658,344**

10B. Special Deposit Accounts

The balances in the Programme's Special Deposit Account if any at the end of Facility reporting period are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision. Below is the special deposit account movement schedule which shows the flow of funds voted in the year. These funds have been reported as receipts in the year under the Statement of Receipts and Payments.

Special Deposit Accounts Movement Schedule

	KSh	Euro
Central Bank of Kenya – 1000607254		
Opening balance	226,429,420	1,586,187
Total amount deposited in the account	60,253,150	410,926
Total amount withdrawn (as per Statement of Receipts & Payments)	285,999,558	1,997,113
Closing balance	-	-
Central Bank of Kenya – 1000607262		
Opening balance	-	-
Total amount deposited in the account	318,242439	2,327,245
Total amount withdrawn (as per Statement of Receipts & Payments)	318,242439	2,327,245
Closing balance	-	-

The Signed National Treasury Special Deposit Account reconciliation statements have been attached as Appendix 5 to support the closing balance.

11. Deferred Income

Deferred Income Movement Schedule

The Project consistently amortizes reflows against counterpart budgetary allocation when financing for the counterpart contribution. There was no amortization during the year.

	Total
	Kshs
Balance as at 1st July 2024	289,214,853
Additions	377,215,000
Transfers To Financial Performance Statement as Revenue	-
Balance as at 30th June 2025	**666,429,853**

12. Prepayments

Description	2024/2025	1st July 2024
	Kshs	Kshs
Total Energies	300,001	-
Total prepayment	**300,001**	-

13. Property, Plant and Equipment

Cost	Furniture and fittings	ICT Equipment	Total
	Kshs	**Kshs**	**Kshs**
As At 1July 2024 (opening balances)	805,021	2,970,000	3,775,021
Additions	798,100	-	**798,100**
As at 30th June 2025	**1,603,121**	**2,970,000**	**4,573,121**
Net Book Values			
As at 1st July 2024	**805,021**	**2,970,000**	**3,775,021**
As at 30th June 2025	**1,603,121**	**2,970,000**	**4,573,121**

On transition to accrual accounting, Property plant and Equipment are recognised at Book value in line with the PSAB guidelines. There was no depreciation during the year.

14. Reconciliation of Statement of Budget and Statement of Cashflows

Description of Particulars	Amount in Ksh
Surplus as per the statement of Budget	**185,849,694**
Add:	
Opening Cash Balance	432,600,767
Deferred Income	377,215,000
Closing Cash and Cash Equivalent as per the statement of Cash flows	**995,665,461**

OTHER IMPORTANT DISCLOSURES

a. Additional resources

During the year the Project concluded a grant negotiation of Euro 2,150,000 equivalent to Ksh 307,634,554.37 from government of Finland. Similarly, an implementation arrangement for Ksh146,428,317 was concluded with French Embassy in support of enabling policy component.

b. Amounts disbursed to partners

The project is implemented through five partners namely; AFC, CGS, AGRA, CORDAID and FSD. The following is the cumulative expenditure to date.

	Payments made to the partners in Cash	Payments made by partners in Cash	Total Payments	Cumulative payments to date
	KSh	KSh	KSh	KSh
Agricultural Finance Corporation	240,000,000	-	240,000,000	540,000,000
Cordaid	32,607,914	6,500,000	39,107,914	39,107,914
FSD	104,768	-	104,768	104,768
Total	**272,712,682**	**6,500,000**	**279,212,682**	**579,212,682**

c. Contributions in Kind

The project recognizes contributions in kind for assets under its control whose service potential flow to RKFINFA. For services, recognition is limited to those that require specialized skills. The fair value at the date of donation or service is applied in the measurement.

Asset Category	Donor	Fair Value (Ksh) 2020/5	Fair Value (Ksh) Cumulative
Motor Vehicles	National Treasury	10,891,819	10,891,819
Specialised Staff	National Treasury	4,200,000	4,200,000
Rent	National Treasury	1,200,000	1,200,000
Total		**16,291,819**	**16,291,819**

13. ANNEXES

ANNEX 1: PRIOR YEAR AUDITOR-GENERAL'S RECOMMENDATIONS

Reference No. on the external audit Report	Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe for Resolving
177	Payee details on the ledger	The ledger report has been customized to include payee details.	Resolved	By October 31, 2024
178	Project budget underfunding.	The cumulative underfunding has been factored in the government MTEF.	Resolved	By October 31, 2024
178	Project budget underutilization.	The underutilization has been resolved through five implementing partners commitments following the conclusion of the partnership agreements in the year 2024/25.	Resolved	By October 31, 2024
179	Secondment of project staff.	The Public Service Commission has since provided no objection to the project staff.	Resolved	By October 31, 2024

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Dr. Chris Kiptoo, CBS
Principal Secretary/ NT

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FA CPA NJERU Michael
Financial Controller

....
John Kabutha
Project Coordinator

ANNEX 2: VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance (below 90% and over 100%)
	a	b	c=a-b	d=b/a	
Receipts	Ksh	Ksh	Ksh		
Proceeds from Borrowings	650,000,000	604,241,997	45,758,003	93%	Realised
Other receipts	-	39,270,270	-39,270,270		This relates to cumulative bank interest received during the year.
Implementing Partners Revenue	-	6.750,000	-6,750,000		This relates to own cash partner contribution spent at source.
Payments					
Compensation to employees	73,055,419	65,494,225	7,561,194	90%	Realised
Purchase of goods and services	210,673,534	103,339,808	107,333,726	49%	The difference of 107M is attributable to non disbursed funds to the implementing partners. A fast-tracking implementation matrix has been agreed with the implementing partners in order to catch up on the lagging activities.
Acquisition of non-financial assets	11,717,650	798,100	10,919,550	7%	The project was adequately facilitated by the national treasury. This gain is reflected under the note on contribution in kind – procurement of motor vehicles.
Transfers to other government entities	240,000,000	240,000,000	0	100%	Realised
Payments by non government entities	114,553,397	54,780,440	59,772,957	48%	The difference of 59M relates to budgeted disbursements to the implementing partners. A fast-tracking implementation matrix has been agreed with the implementing partners in order to realise the partner commitments.

ANNEX 3: INTER-ENTITY TRANSFERS

a. Counterpart Funding through National Treasury

	NOTE	Bank Statement Date	Amount (Ksh)
IFAD		02/09/2024	225,746,408
IFAD		23/12/2024	46,068,788
IFAD		27/01/2025	272,173,651
IFAD		14/04/2025	22,446,033
IFAD		30/06/2025	37,807,117
Total			**604,241,997**

The above amounts have been communicated to and reconciled with relevant entities.

John Kabutha
Project Coordinator
RKFINFA

CPA George Gichuru
Director Accounting Services/Head of Accounting Unit
The National Treasury

ANNEX 4: ANALYSIS OF PENDING BILLS

There were no pending bills incurred during the financial year under review.

ANNEX 5: SUMMARY OF FIXED ASSETS REGISTER

Asset class	Opening Cost	Donations in form of assets	*Purchases/ Additions in the Year	**Disposals in the Year	Transfers in/(out)	Closing Cost
	(KSh)	(KSh)	(KSh)	(KSh)	Kshs	(KSh)
	FY 2024/25	FY 2024/25	FY 2024/25	FY 2024/25	FY 2024/25	FY 2024/25
	(a)	(b)	(c))	(d)	(d)	(e)= (a)+ (b)+c)-(d)+(-)d
Office equipment, furniture and fittings	805,021	-	798,100	-	-	1,603,121
Computers	2,970,000	-		-	-	2,970,000
Total	**3,7 75,021**	**-**	**798,100**	**-**	**-**	**4,573,121**

On transition to accrual accounting, Property plant and Equipment are recognised at Book value in line with the PSAB guidelines. There was no depreciation during the year.

ANNEX 6: NATIONAL TREASURY SPECIAL DEPOSIT ACCOUNTS RECONCILIATION

RURAL KENYAFINANCE INCLUSION FACILITY 4121
STATEMENT OF SPECIAL (DESIGNATED) ACCOUNT RECONCILIATION
FOR THE YEAR ENDED 30TH JUNE 2025
PART B: ACCOUNT RECONCILIATION STATEMENT

IFAD Loan No. 2000004121
Bank Account No. 1000607254 Held at Central Bank of Kenya

		NOTES	AMOUNT EURO	AMOUNT EURO
1	Amount advanced by IFAD			5,843,913.22
	Less			
2	Total amount justified to IFAD			5,051,466.59
3	**Outstanding amount to be justified**			**792,446.63**
	Represented by:			
4	Ending Designated Account Balance at 30.06.2025			-
5	Amount claimed but not credited as at 30.06.2025			-
6	Amount withdrawn and not claimed as at 30.06.2025			792,446.63
7	Service charges (if not included in 5 & 6 above)			-
	Less			
8	Interest earning (if included in Designated Account)			-
9	**Total advance to Designated Account year ended 30.06.2025**			**792,446.63**
	Descripancy between total appearing on lines 3 and 9			-

tes:
1 Explain the discrepancy between totals appearing on lines 3 and 9 above (e.g amount due to be refunded to cover ineligible expenditures paid from the Special/Designated Account)
2 Indicate if amount appearing on line 6 is eligible for financiang by IFAD and provide reasons for not claiming the expenditures

The amount appearing on line 6 is eligible for financing by IFAD and shall be documented in subsequent IFRs

Shitima

AUTHORIZED REPRESENTATIVE
RESOURCES MOBILIZATION DEPARTMENT
THE NATIONAL TREASURY

DATE: 05-08-2025

RURAL KENYAFINANCE INCLUSION FACILITY 4122
STATEMENT OF SPECIAL (DESIGNATED) ACCOUNT RECONCILIATION
FOR THE YEAR ENDED 30TH JUNE 2025

IFAD Loan No. 2000004122
Bank Account No. 1000607262 Held at Central Bank of Kenya

		NOTES	AMOUNT EURO	AMOUNT EURO
1	Amount advanced by IFAD			2,327,245.09
	Less			
2	Total amount justified			-
3	**Outstanding amount to be justified**			**2,327,245.09**
	Represented by:			
4	Ending Designated Account Balance at 30.06.2025			-
5	Amount claimed but not credited as at 30.06.2025			-
6	Amount withdrawn and not claimed as at 30.06.2025			2,327,245.09
7	Service charges (if not included in 5 & 6 above)			-
	Less			
8	Interest earning (if included in Designated Account)			-
9	**Total advance to Designated Account year ended 30.06.2025**			**2,327,245.09**
	Descripancy between total appearing on lines 3 and 9			-

tes:
1 Explain the discrepancy between totals appearing on lines 3 and 9 above (e.g amount due to be refunded to ineligible expenditures paid from the Special/Designated Account)
2 Indicate if amount appearing on line 6 is eligible for financiang by IFAD and provide reasons for not claim expenditures

The amount appearing on line 6 is eligible for financing by IFAD and shall be documented in subsequent IFRs

Shitima

AUTHORIZED REPRESENTATIVE
RESOURCES MOBILIZATION DEPARTMENT
THE NATIONAL TREASURY

DATE: 05-08-2025

ANNEX 7: REPORTING OF CLIMATE RELEVANT EXPENDITURES

Project Name	Project Description	Project Objectives	Project Activities	Q1	Q2	Q3	Q4	Amount (Ksh)	Source Of Funds	Implementing Partners
RKFINFA	Green Financing Facility (GFF)	Rural transformation, growth, and income generation through climate smart and environmentally friendly activities.	climate smart financing	240M				240,000,000	IFAD	AFC
Total								**240,000,000**		