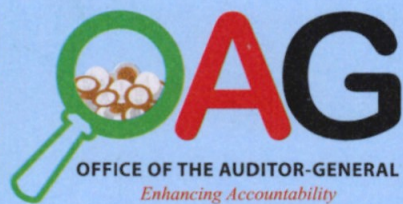


REPUBLIC OF KENYA



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ON

KENYA FORESTRY RESEARCH INSTITUTE

FOR THE YEAR ENDED 30 JUNE, 2025



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2025

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

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Kenya Forestry Research Institute

Annual Report and Financial Statements for the Year Ended June 30, 2025.

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1. Acronyms and Definition of Key Terms

Acronyms

AGPO	Access to Government Procurement Opportunities
ASAL	Arid and semi-arid lands
BETA	Bottom-up Economic Transformation Agenda
CEO	Chief Executive Officer
EIA	Environmental Impact Assessment
IPSAS	International Public Sector Accounting Standards
ISO	International for Organization Standardization
JICA	Japan International Cooperation Agency
KEFRI	Kenya Forestry Research Institute
KFS	Kenya Forest Service
MBA	Master of Business Administration
MSMEs	Micro, Small and Medium Enterprise
MTP	Medium Term Plan
NEMA	National Environment Management Authority of Kenya
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PHD	Doctor of Philosophy
SMEs	Small and Medium Enterprises
YWPWD	Youth, Women and Persons with Disabilities

Definition of Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organization.

Comparative Year- Means the prior period.

2. Key Institute Information and Management

a) Background Information

KEFRI is a state corporation established in 1986, under the Science and Technology Act (Cap 250) of the Laws of Kenya. The Act has since been repealed but is accredited by the Science, Technology and Innovation (STI) Act No. 28 of 2013. The Institute's mandate is anchored in the Forest Conservation and Management Act No. 34 of 2016 as the agency to undertake research in forestry. It is under the Environmental Protection, Water and Natural Resources Budgetary Sector. KEFRI is certified in both ISO 14001:2015 Environmental Management Systems (EMS) and ISO 9001:2015 Quality Management Systems (QMS) and therefore conforms to international standards on environmental and quality management systems.

b) Principal Activities

i) Mandate

- a) Conduct research and development in forestry and allied natural resources.
- b) Disseminate research findings.
- c) Build capacity of stakeholders in forestry and allied natural resources.
- d) Establish partnership and cooperate with research organizations and institutions of higher

ii) Functions

1. Develop research and development programmes to provide information and technologies for sustainable development of forestry and allied natural resources.
2. The Institute shall, in consultation with relevant organizations -
 - a) Prepare forestry research and development strategies for the country.
 - b) Conduct expert training courses in forestry and allied natural resources.
 - c) Disseminate research findings to support forestry development in the country and counties; and
 - d) Participate in development and monitoring of national forest standards.
3. Compile and submit a report on regular basis to the Cabinet Secretary relating to forestry research and development, learning in joint research and training
4. Advise the Cabinet Secretary to declare any tree species or family of tree species to be protected in the whole country or in specific areas thereof and shall cause this information to be disseminated to the public by order published in a Gazette notice.
5. Advise the Cabinet Secretary to reverse the protection of any tree species or family of tree species if the protection is no longer necessary.

6. Develop regulations or guidelines for the protection and regeneration of a protected tree species.

iii) Our Vision

A research centre of excellence in forestry and allied natural resources for sustainable development.

iv) Our Mission

To conduct research in forestry and allied natural resources for sustainable development through innovations, capacity building and technology transfer.

v) Core Values

- **Excellence:** Committed to high standards of professionalism
- **Creativity:** Promote support and implement new ideas, methods, and products
- **Integrity:** Uphold honesty, high moral standards, and intolerance to corruption
- **Teamwork:** Build cordial working relations and team spirit
- **Inclusivity:** Equal access to opportunities and resources
- **Networking:** Strive to attain sustainable networks and partnerships
- **Customer Focus:** Oriented to customer needs and satisfaction

vi) Domicile

The Institute is domiciled in Kenya.

vii) Strategic Objectives

- a) Coordinate implementation of research and development activities
- b) Enhance forest productivity for improved livelihoods and environmental sustainability
- c) Generate technologies for management and conservation of forest landscapes and resilience to climate change for sustainable development
- d) Develop technologies for efficient processing and utilization of forest products for livelihood improvement
- e) Generate information to guide development of policies, regulatory and institutional frameworks to enhance governance in the forest sector for socio- economic development
- f) Provide technical support services, conduct expert training courses and disseminate research findings to support forestry development
- g) Enhance corporate publicity for increased visibility and ensure quality of research and service delivery
- h) Enhance partnerships and linkages for implementation of joint activities and resource mobilization

- i) Enhance partnerships and linkages for joint implementation of national and county activities
- j) Coordinate implementation of corporate services activities
- k) Strengthen institutional capacity for research and development
- l) Strengthen internal controls, improve operational efficiency and promote good governance and ethical behavior
- m) Define institutional goals and enhance ability to identify and manage risks and protect assets
- n) Undertake management of the procurement function, offer technical advice on procurement issues and ensure compliance with procurement policies, rules and regulations
- o) Provide professional secretarial and legal support to KEFRI Board of Directors and the Institute
- p) Enhance revenue collection
- q) Strengthen institutional capacity in planning, monitoring, evaluation and reporting

c) Key Management

The Institute's day-to-day management is under the following key organs:

No	Designation	Name
1.	Board of Directors	Gen. (Rtd) Samson Mwathethe Mr. Alexander Lemarkoko '(ndc)' Mr. George Tarus Mr. Elly Ongei Mr. Chrislogus A. Makokha Mr. Davies Musau Ndambuki Mr. Metett Kibet Robert Mr. Justin Kabuiku Mrs. Hamara Ibrahim Aden Mr. Ntoros Baari Ole Senteu Mr. Gideon Kirui
2.	Chief Executive Officer	Dr. Jane W. Njuguna
3.	Ag. Senior Deputy Director- Research & Development	Dr. Tito Mbuvi
4.	The Senior Deputy Director - Corporate Services	CPA. George Otieno
5.	Corporation Secretary & Principal Legal Officer	Mr. Philip M. Kichana

d. Fiduciary Management

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

No	Designation	Name
1.	Chief Executive Officer	Dr. Jane W. Njuguna
2.	Ag. Senior Deputy Director- Research & Development	Dr. Tito Mbuvi
3.	Senior Deputy Director - Corporate Services	CPA. George Otieno
4.	Deputy Director – Finance & Accounting	FCPA. Rose B. Osoro
5.	Deputy Director - Forest Biodiversity, Climate Change, and Environment Management (FBCCEM)	Dr. James Ndufa
6.	Deputy Director - Forest Products and Entrepreneurship Development (FPED)	Dr. George Muthike
7.	Deputy Director - Social Economic Policy & Governance	Dr. Joram Kagombe
8.	Deputy Director - Forest Productivity, Health and Tree Improvement (FPHTI)	Dr. Eston Mutitu
9.	Ag. Deputy Director -Forestry Research Support Services	Mr. Paul Tuwei
10.	Ag. Deputy Director -Corporate Affairs & Quality Assurance	Dr. Victor Jaoko
11.	Ag. Deputy Director -Human Resource	Mr. Joel Aswa
12.	General Manager - Enterprise	Ms. Mary Miingi
13.	Manager – Supply Chain Management	Mr. Paul Nyathore
14.	Manager – Internal Audit	CPA. Kennedy Mungai
15.	Assistant Director- Administration	Mr. Fredrick Odhiambo
16.	Corporation Secretary & Principal Legal Officer	Mr. Philip M. Kichana

e. Fiduciary Oversight Arrangements

No	Board Committee Mandate
1.	Human Resource Committee The committee provides strategic direction on all matters related to human capital management. It ensures KEFRI attracts, develops and retains a competent and motivated workforce.
2.	Research & Development Committee As the custodian of KEFRI's core mandate, this committee oversees the strategic direction, quality and relevance of research development activities.
3.	Finance and Administration Committee

No	Board Committee Mandate
	The committee ensures prudent financial management and administrative efficiency across the institute's operations.
4.	Audit Committee The committee strengthens corporate governance by ensuring the integrity of internal controls, risk management and audit functions.

f. KEFRI Headquarters

Off Nairobi/Nakuru Highway – Muguga
P.O Box 20412 – 00200
Nairobi

g. KEFRI Contacts

Tel: +254202010651/2 +254722157414 +254724259781/2 +254734251888
Email: director@kefri.org; Website: www.kefri.org

h. KEFRI Bankers

Kenya Commercial Bank Ltd
Sarit Centre Branch
P.O. Box 14959 – 00800
Nairobi

Co-operative Bank Ltd
Westlands Branch
P.O. Box 66589– 00800
Nairobi

NCBA Bank Kenya Plc
Mamlaka Road Branch
P.O. Box 30437- 00100
Nairobi

Family Bank
Kikuyu Branch
P.O. Box 74145-00200
Nairobi

i. Independent Auditors

The Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084 – 00100
Nairobi

j. Principal Legal Adviser

The Attorney General
State Law Office & Department for Justice;
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi

3. The Board of Directors

Ref	Director	Details
1	 Gen. (Rtd) Samson Mwathethe Chairman, KEFRI Board of Directors	Date of Birth: 27th December 1958 Area of Expertise: Logistics, Defence / Military. Work Experience: Over 30 years Chairman, a retired Chief of Defence Forces (CDF) has held various command appointments, including Vice Chief of the Defence Forces, Commander Kenya Navy, Deputy Commander Kenya Navy, Kenya Navy Logistics Commander, Base Commander Mtongwe and Fleet Commander. Other appointments included Chief of Systems & Procurement, Department of Defence, Command of individual Kenya Navy Ships, Staff Officer Operations at Navy Headquarters, 86 Squadron Commander and Staff Officer I Coordination at the Department of Defence. 1991 - 1992. Military Observer in Kuwait/Iraq and Yugoslavia with the United Nations. Independent Non-Executive Chairman
2	 Mr. Alexander Lemarkoko '(ndc)' Chief Conservator of Forests	Date of Birth: 01/01/1967 Area of Expertise: Forestry Work Summary: Over 30 Years Holds a Master of Arts in International Studies and a Bachelor of Science in Forestry. He is the Chief Conservator of Forests (CCF) and Chief Executive Officer (CEO) at the Kenya Forest Service (KFS). Executive Director
3	 Mr. George Tarus Alt. PS State Department of Forestry	Date of Birth: 5th September 1981 Area of Expertise: Forestry Work Summary: Over 20 Years Holds a Master of Science Degree in Forestry Conservation and participates in the Ministry on issues touching on Forestry in the national and international arena. He is the Conservation Secretary, State Department of Forestry Executive Director

Ref	Director	Details
4	 Mr. Elly Ongei Alt. Cabinet Secretary, The National Treasury & Economic Planning	Date of Birth: 12th December 1965 Area of Expertise: Economics Work Experience: Over 30 years Holds a master's degree in economics from Lucknow University, India. He is a seasoned professional in budget planning, public expenditure reviews, policy analysis, strategic planning, monitoring and evaluation, and resource analysis. He also specializes in proposal development and report writing. Currently, he serves as the Director of Pensions at The National Treasury & Economic Planning. Executive Director
5	 Chrislogus A. Makokha Representative- IG, State Corporations	Date of Birth: 10/11/1969 Area of Expertise: Economics and Statistics Work Experience: Over 30 years Holds a Master of Business Administration (MBA) in Economics and Statistics. He has extensive experience at the Inspectorate of State Corporations, where he monitors and advises state agencies in compliance. He currently serves as the Senior Deputy Inspector-General Inspectorate. Executive Director
6	 Eng. Davies Musau Ndambuki Member, Board of Directors	Date of Birth: 1/11/1974 Area of Expertise: Agricultural Engineering & Global Supply Chain Management Work Experience: Over 23 years Holds an MBA in Procurement and Marketing from the University of Nairobi and B.Sc. in Agricultural Engineering from Egerton University. He is a member of EBK, KISM, Chartered CIPS Professional and a registered Trainer with KISM. Independent Non-Executive Director

Ref	Director	Details
7	 Mr. Gideon Kirui Alt. Director- General NACOSTI	Date of Birth: 8th September 1975 Area of Expertise: Finance Work Experience: Over 20 years Holds a MBA and a Bachelor of Commerce (Accounting). He is a member of ICPAK and ICS with extensive experience in Public Sector Accounting, financial management, and administration. He currently serves as the Deputy Director-General Corporate Services at NACOSTI. Executive Director
8	 Mr. Metett Kibet Robert Member, Board of Directors	Date of Birth: 5/5/1974 Area of Expertise: Economics & Statistics Work Experience: Over 22 years Holds a BA in Economics and Statistics from Egerton University and an MBA in International Business Management from the University of Nairobi. He has extensive experience in private communications sector across East and Southern Africa, having worked with companies such as Kencell, Seacom & Calkey among others. He currently runs his own real estate firm. Independent Non-Executive Director
9	 Mr. Justin Kabuiku Member, Board of Directors	Date of Birth: 09/09/1963 Area of Expertise: Environmental Conservation Work Experience: Over 40 years He holds a Master's degree in Environmental Conservation & Conflict Resolution. He has served in key roles within Kenya's environmental sector, including at Kenya Forest Service and the National Environmental Management Authority. Independent Non-Executive Director

Ref	Director	Details
10	 Mrs. Hamara Ibrahim Aden Member Board of Directors	Date of Birth: 30/12/1966 Area of Expertise: Management & Leadership Work Experience: Over 30 years Holds a Degree in Natural Resource Management. She has served in various capacities in the public sector including the Interim Independent Electoral Commission (IIEC) as a commissioner and has vast experience in the field of leadership and management. Independent Non-Executive Director
11	 Mr. Ntoros Baari Ole Senteu Member, Board of Directors	Date of Birth: 1st January 1962 Area of Expertise: Environment & Corporate Governance Work Experience: Over 40 years He holds a Master's Degree in Environmental Studies and specializes in Environmental and Corporate Governance. He has extensive in oversight of state corporations and has previously chaired the boards of Post Bank Kenya, Kenya Meat Commission and the Ewaso Nyiro River South Development Authority. Prior to this, he served and the chairman of the Narok County Council. Independent Director
12	 Dr. Jane W. Njuguna Chief Executive Officer (CEO) KEFRI	Date of Birth: 20th October 1962 Area of Expertise: Forest Science Work Experience: Over 35 years Holds BSc. in Botany and Zoology from University of Nairobi, MSc. in Forest Science from University of Melbourne, Australia and a PhD. in Forest Mycology and Pathology from Swedish University of Agricultural Sciences (SLU), Sweden. Secretary to the Board

Ref	Director	Details
13	 Mr. Philip M. Kichana Corporation Secretary	Date of Birth: 26th July 1971 Area of expertise: Law Work experience: Holds a Master of Laws (LL.M) in Public International Law, Bachelor of Laws degree (LL.B) and a Diploma from the Kenya School of Law. He is a Certified Secretary and an Advocate of High Court of Kenya. He is a member of ICPSK and LSK. ICPSK NO. 1451

4. Key Management Team

Ref	Management		Details
1		Dr. Jane W. Njuguna PhD. in Forest Science	Director/Chief Executive Officer
2		CPA. George Otieno MBA – Finance CPA (K) Member of ICPAK and IIA Member of ICPAK No. 3285	Senior Deputy Director – Corporate Services
3		Dr. Musingo Tito E. Mbuvi PhD. in Environmental Sciences	Ag. Senior Deputy Director – Research & Development.
4		FCPA Rose B. Osoro MBA Strategic Management CPS (CS), FCPA (K) Member of ICPAK No. 4555	Deputy Director- Finance and Accounting
5		Dr. James Ndufa Ph. D. – Biological Science	Deputy Director – Forest Biodiversity, Climate Change, and Environment Management (FBCCCEM)
6		Dr. George Muthike Ph.D – PhD. in Biomechanical and Environmental Engineering	Deputy Director – Forest Products and Entrepreneurship Development (FPED)

Ref	Management		Details
7		Dr. Joram Kagombe Ph.D - Environmental Studies	Deputy Director - Socioeconomics, Policy and Governance
8		Dr. Eston K. Mutitu Ph.D. in Agricultural Sciences	Deputy Director- Forest Productivity, Health and Tree Improvement (FPHTI)
9		Mr. Paul Tuwei MSC. Forestry	Ag. Deputy Director - Forestry Research Support Services (FRSS).
10		Dr. Victor Jaoko Ph.D. - Bioscience Engineering	Ag. Deputy Director - Corporate Affairs and Quality Assurance
11		Mr. Joel O. Aswa MSc. Human Resource Development Member of IHRM No. 5272	Ag. Deputy Director, Human Resource
12		Dr. Paul Nyathore Ph. D in Procurement Member of KISM No. K717/2017	Manager, Supply Chain Management

Ref	Management		Details
13		Mr. Fredrick Odhiambo Ochieng MSc. Human Resource Management	Assistant Director-Administration
14		Mr. Kennedy Mungai MSC. Finance & Accounting CPA(K), CISA, CRISC. Member : ICPAK;ISACA;IIA;CFE	Manager, Internal Audit
15		Mr. Philip M. Kichana CPS, Advocate of High Court of Kenya, Master of Laws degree LL.M (Public International Law) Diploma (K.S.L) Membership: ICPSK & LSK	Corporation Secretary & Principal Legal Officer

5. Chairman's Statement



It is with great honour and a deep sense of responsibility that I present the Chairman's Statement for the Kenya Forestry Research Institute (KEFRI) Annual Report for the financial year ending 30th June 2025. This year has been a landmark period for KEFRI, marked by innovation, strategic partnerships, and national impact. Guided by the 2022-2027 Strategic Plan and aligned with Kenya's Vision 2030, the Bottom-Up Economic Transformation Agenda (BETA), and the 15

Billion Tree Growing Strategy, KEFRI has continued to deliver on its mandate of conducting forestry research for sustainable development and climate resilience.

During the year, KEFRI implemented a wide range of research, development, and capacity-building initiatives. These included the operationalization of regional research centres and satellite stations to enhance grassroots reach, and the execution of strategic forestry research programs across five thematic areas. The Institute also intensified collaboration with national and international partners, including JICA, CABI, and UK PACT, to advance climate-smart forestry technologies and dryland innovations. These partnerships have not only strengthened institutional capacity but also expanded the reach and impact of KEFRI's work across Kenya's diverse ecological zones.

A major highlight of the year was KEFRI's pivotal role in supporting the government's 15 Billion Tree Growing Campaign. Through its seed centres, KEFRI produced and distributed over 10 million quality seedlings, contributing significantly to national afforestation and reforestation efforts. The Institute also developed and deployed advanced tools for seed collection, site-species matching, and survival tracking, which are critical to the campaign's success. Notably, KEFRI's innovative JazaMiti App emerged as a transformative digital platform in this effort. The app enables users to select appropriate tree species based on ecological zones, document planting activities, and monitor tree growth over time. As of June 2025, the app had recorded over 686 million trees planted.

The JazaMiti App's impact has been widely recognised both nationally and internationally. During the Africa Public Service Week 2025 held at the Kenyatta International Convention Centre (KICC), KEFRI was honoured as the Overall Winner in the Technology and Digitalization Category. Later, at the 10th Continental Africa Public Service Day celebrations in Addis Ababa, Ethiopia, the JazaMiti platform earned First Runners-Up in the Most Transparent and Accountable Organization Award.

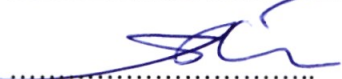
These accolades marked the app's fifth major recognition, underscoring its role in translating complex scientific forestry data into a user-friendly, digital public service. The app has significantly improved seedling survival rates, reduced losses from pests and diseases, and enhanced public engagement in environmental conservation.

In dryland forestry, KEFRI continued to lead in the development and dissemination of drought-tolerant species such as *Melia volkensii* and *Acacia tortilis*, which are now widely adopted in arid and semi-arid lands (ASALs). The Institute's innovative techniques, including the valleroni and half-moon methods, have proven effective in restoring degraded landscapes. KEFRI also signed a Memorandum of Understanding with the Centre for Agriculture and Bioscience International (CABI) to strengthen forestry research, biodiversity conservation, and community development.

Despite these achievements, KEFRI faced several challenges. Inadequate funding constrained the scale of research and operational activities. Climate change impacts, including erratic rainfall and prolonged droughts, disrupted field programs and reduced tree survival rates. Additionally, limited uptake of research innovations by some end-users, due to knowledge gaps and weak extension services, hindered the full realization of research benefits.

Looking ahead, KEFRI remains committed to its mission of advancing forestry science for sustainable development. The Institute will prioritize strengthening research-extension linkages, expanding studies on climate-resilient tree species, and mobilizing resources through public-private partnerships. KEFRI will continue to support the government's climate action strategy, including the 15 Billion Tree Campaign, and contribute to achieving 30% national tree cover by 2032. Plans are also underway to establish a National Botanical Museum and host the 2029 International Union of Forest Research Organizations (IUFRO) Conference, further cementing KEFRI's global leadership in forestry research.

In conclusion, I extend my sincere appreciation to the KEFRI Board of Directors, management, staff, and all stakeholders for their unwavering dedication and support throughout the year. Together, we shall continue to champion sustainable forestry and environmental stewardship for the benefit of current and future generations.



Gen (Rtd) Samson J. Mwathethe
CHAIRMAN - KEFRI BOARD OF DIRECTORS

Date 8th December 2025

6. Report of Chief Executive Officer



As the Director and Chief Executive Officer of the Kenya Forestry Research Institute (KEFRI), I am pleased to present the Director's Report for the financial year 2024/2025. This report highlights the Institute's strategic focus, key achievements, financial performance, challenges encountered, and the way forward. KEFRI continues to play a central role in advancing forestry research, environmental sustainability, and climate resilience in Kenya, in alignment with national and global development goals.

Technical Performance

During the year under review, KEFRI's operations were guided by the 2022–2027 Strategic Plan, which is aligned with Kenya's Vision 2030, the Bottom-Up Economic Transformation Agenda (BETA), the National Landscape Restoration Strategy through collection, processing and distribution of high-quality tree seeds to enable the 15 Billion Tree Growing Strategy. The Institute focused on enhancing research excellence, promoting sustainable forest management, and supporting national climate action priorities. Key thematic areas included forest productivity, dryland forestry, biodiversity conservation, tree-based entrepreneurship, training and capacity building of stakeholders and the development of climate-smart technologies.

KEFRI recorded significant achievements across research, innovation, governance, and stakeholder engagement. The Institute contributed over 10 million quality seedlings to the national tree-growing campaign, supporting Kenya's ambitious target of planting 15 billion trees. The JazaMiti mobile application, developed to track tree planting and survival, received multiple national and international awards for its innovation and transparency, including recognition at the Africa Public Service Week and the Continental Africa Public Service Day in Addis Ababa, 2025. The application recorded sustained growth in numbers of trees grown from 41,308,273 in July 1 2021 to 695,303,038 by 30th June 2025. In dryland forestry, KEFRI advanced the development and dissemination of drought tolerant tree species such as *Melia volkensii* and *Acacia tortilis*, while piloting other climate-smart technologies in arid and semi-arid lands that included testing dates' and aloe growing in Garissa and creation of decent green jobs through management of *Prosopis juliflora* (Mathenge) through utilization in Garissa, Tana River and Turkana Counties.

The Institute also strengthened its governance and financial controls, including reconfiguring the Enterprise Resource Planning (ERP) system to address legacy issues in imprest and allowance management and general automation.

Strategic partnerships with JICA, ILO, CABI, UK-PACT, IKI, Bezos Fund and county governments among others were expanded, thus enhancing institutional capacity and resource mobilization. As Director, I also led oversight visits to regional centres to monitor research progress and reinforce KEFRI's commitment to decentralized transfer of technologies, innovation and to enhance community-based forestry development.

We are also proud to announce that the institute, on behalf of Kenya and the African continent received the official documents to host the 27th International Union of Forestry Research Organizations (IUFRO) World Congress in Vienna Austria in May 2025.

Financial Performance

KEFRI's total revenue for FY 2024/2025 stood at KES 1.86 billion, compared to KES 1.99 billion in FY 2023/2024. The Institute received recurrent exchequer funding for March, April, and May 2025, while the June disbursement was not received by the end of the financial year and was accrued. Government grants decreased from KES 1.943 billion to KES 1.615 billion, reflecting reduced exchequer support. However, external grants and donor funding decreased from KES 106.29 million to KES 92.16 million, depicting the geo-political environment, especially with the United States. Internal revenue declined from KES 121.16 million to KES 79.42 million, largely due to reduced commercial activities.

Challenges

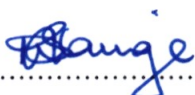
Despite these achievements, the Institute faced several challenges. Most notably, the absence of a development budget during the financial year, significantly constrained the implementation of ongoing planned strategic initiatives. This affected critical infrastructure projects such as the Tree Seed Infrastructure Enhancement Programme and the development of advanced research technologies, which are essential for KEFRI's long-term impact and innovation capacity. Additionally, funding constraints limited the scale of research and governance audits, while erratic weather patterns disrupted field activities and tree survival rates. Some audit findings also lacked sufficient transactional detail, leading to misinterpretations that required clarification. Operationally, the continued reliance on manual vote books and cash transactions posed risks, although these were mitigated through ongoing digitization efforts.

Going forward and in line with the National Government's Digital Superhighway and the Digital Platforms Kenya (DigiKen) project, KEFRI will prioritize digitizing all information and research products to ease service delivery to citizens, including the rollout of M-Pesa bulk payments and enhanced ERP functionalities. The Institute will also focus on strengthening governance through planned governance audits and enforcing stricter approval protocols for executive claims.

Innovative research products will be scaled up to support climate-resilient forestry enterprises and the national tree-growing campaign.

KEFRI will continue to deepen partnerships with development partners, counties, academia, international bodies and the private sector not only to mobilize resources and but share knowledge for greater impact. A key priority will be advocating for the restoration of development funding to support research infrastructure, technology advancement, and commercialization of innovations while investing in staff development and institutional innovation.

In conclusion, I extend my sincere appreciation to the KEFRI Board of Directors, KEFRI staff, partners, and stakeholders for their unwavering support and dedication throughout the year. As Director and CEO, I reaffirm KEFRI's commitment to championing sustainable forestry, environmental stewardship, and scientific excellence for the benefit of current and future generations.



.....

Dr. Jane W. Njuguna

DIRECTOR/CEO, KEFRI

7. Statement of Performance against Predetermined Objectives for FY 2024/2025

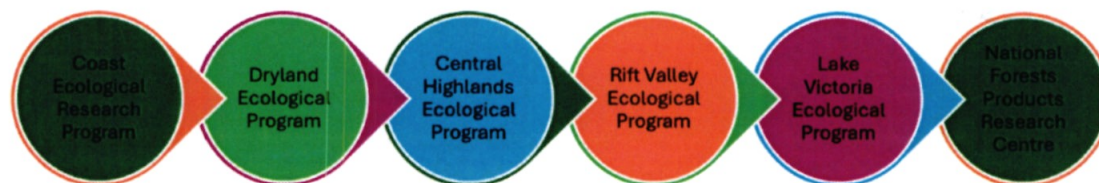
Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

To implement its mandate KEFRI, has adopted a two-pronged approach to research, namely,

1. Thematic approach that mainly focuses on themes according to the National Forest Program 2016-2030.



2. Ecological Approach focusing on a specific ecological niche and ecosystem of the Kenyan landscape



3. KEFRI research is further supported by:

A. Forest Research Support Services



B. Corporate Service

Finance	Human Resource Management	Administration	Supply Chain Management
Revenue Generation Unit	Partnerships and Resource Mobilization	Monitoring and Evaluation	Corporation Secretary and Legal Services (xi) Internal Audit

Kenya Forestry Research Institute

Annual Report and Financial Statements for the Year Ended June 30, 2025.

Statement of Performance Against Predetermined Objectives for FY 2024/2025

KEFRI develops its annual work plans based on the above 4 thematic areas and 5 Eco-regional centres and one national centre and 3 Support departments. **Assessment of the Board's performance against its annual work plan is done on a quarterly basis.** The Institute achieved its performance targets set for the FY 2024/2025 period. The table below shows major and summarized performances of 5 Strategic Themes and 4 Strategic Departments.

Strategic Themes/ Departments	Objective	KPI	Activities	Achievements
Theme 1: Forest Productivity, Health, and Tree Improvement	To enhance the production of superior germplasm for priority tree species for different agro-ecological zones	Quantity of high-quality tree seeds collected	Produce 100,000 Kgs of tree seeds from various species from all the eco-regions	75,789.76 Kgs of tree seeds were collected from various tree species in FY 2024/2025
		No tree seed source acreage	Increase tree seed source acreage by 72 ha	116.6 ha of seed orchards and seed stands were established and maintained in various ecological regions
		Number of tree seedlings raised	Produce 1.3 million tree seedlings of assorted tree species	2.14 million tree seedlings were produced across various Eco regional tree nurseries
	To generate technologies for forestry conservation and rehabilitation of ecosystems	No. of forestry technologies developed	To develop 15 new forestry technologies; and refine ongoing forestry technologies	21 forestry technologies were developed in the field and across various research laboratories in KEFRI for adoption by stakeholders
		Number of ha of demonstration plots established for rehabilitation of water towers	Participate in rehabilitation of the Mumoni and Endau water tower	7 ha Mumoni water tower and 5 ha of Endau water towers were rehabilitated
Theme 2: Forest Biodiversity	To generate technologies for the	Number of trainings on forestry	Conduct 17 trainings on forestry, conservation,	34 trainings were conducted in Siongiroi-Chepalungu, Butula-Busia

Kenya Forestry Research Institute

Annual Report and Financial Statements for the Year Ended June 30, 2025.

Strategic Themes/ Departments	Objective	KPI	Activities	Achievements
Climate Change and Environmental Management	management and conservation of forest landscapes and resilience to climate change for sustainable development	conservation and management communities	and value addition and tree to nursery establishment	County, Sirikwa - Nakuru County, Garissa County, Uasin Gishu County among others on tree nursery establishment, forest products value addition and forestry management
		Number of invasive tree species managed and controlled	Demonstrate control and management of <i>Ipomoea hildebrandtii</i> , and <i>Opuntia stricta</i>	Control and management of invasive tree species <i>Opuntia ficus-indica</i> and <i>Opuntia stricta</i> , <i>Ipomoea hildebrandtii</i> was done in Laikipia and Kajiado Counties
Theme 3: Forest Products Development and Entrepreneurship Development	To develop technologies for efficient processing and utilization of forest products for livelihood improvement	Number of non-timber forest products developed	Develop the following non-timber forest products: 1. Herbal soap from Senna Spp, 2. Lip balm from Bulbini Spp, 3. Castor hair oil from Castor seeds 4. Jam from Gooseberry 5. - Herbal soap from Msabuni	5 tree products were developed and completed quality test and verification by KEBS
		Number of SMEs trained on making tree products	Link the following developed tree products to SMEs	Linking of forest products was done to 3 SMEs for uptake and upscaling

Kenya Forestry Research Institute

Annual Report and Financial Statements for the Year Ended June 30, 2025.

Strategic Themes/ Departments	Objective	KPI	Activities	Achievements
			1. Sclerocarya jam 2. Soap extract 3. Aloe lotion 4. Cape chestnut lotion 5. Aloe soap	
Theme 4: Socio-economics, Policy and Governance	To generate information to guide development of policies, regulatory and institutional frameworks to enhance governance in the forest sector for socio-economic development	No. of policy documents developed	Develop KEFRI research strategy, KEFRI policy, National Prosopis strategy, gums and resins strategy	Developed KEFRI research strategy, Participated in review of Forest Conservation & Management Act, National Prosopis strategy, gums and resins strategy; the development of urban forestry policy framework
Forest Research Support Services	To provide technical support services, conduct expert training courses and disseminate research findings to support forestry development	No. of publications produced. No. of field days carried out	To produce 26 peer-reviewed journal papers, technical notes, guidelines, and policy briefs To organize 20 field days to demonstrate forestry technologies for adoption	37 publications were developed and published in peer-reviewed journals, technical notes, guidelines, and policy briefs 20 field days were conducted in various eco-regional centers of KEFRI to demonstrate various forestry technologies and products
	To enhance partnerships and linkages for	Number of MoUs signed with partners	Develop and sign 7 MoUs with partners	KEFRI drafted and signed 7 MoU with Jaramogi Oginga Odinga University of Science and Technology, Narok County

Kenya Forestry Research Institute

Annual Report and Financial Statements for the Year Ended June 30, 2025.

Strategic Themes/ Departments	Objective	KPI	Activities	Achievements
	implementation of joint activities and resource mobilization			Government, University of Kabianga, SEKU University, Masinde Muliro University of Science and Technology (MMUST), Taita Taveta University and St. Paul University.
		No. of resource mobilization concepts developed	Develop 20 resource mobilization concepts to fundraise for purposes of research and capacity building of stakeholders to enhance livelihoods	40 resource mobilization concepts were developed and submitted for funding by various donors and partners.
Corporate Services	Human capital acquisition, development and retention	Training needs assessment reports: No of staff trained	To carry out staff training Needs Assessment To execute interventions to address the identified skills gaps and training needs through recruitment, Outsourcing, capacity building/training To undertake staff performance appraisal	Training needs assessment was conducted Recommendations of TNA report were implemented through training, mentorship and recruitment Staff appraisal for 2024/2025 is currently underway
		Number of attachment and internship opportunities offered	Offer 289 of attachment and internship opportunities to students	279 attachment and internship opportunities were offered

Kenya Forestry Research Institute

Annual Report and Financial Statements for the Year Ended June 30, 2025.

Strategic Themes/ Departments	Objective	KPI	Activities	Achievements
		Productivity mainstreaming	Develop institutional productivity metrics and determine productivity index	Developed 15 productivity metrics and determined the Institutional productivity index
	Infrastructural development	No of infrastructural development works	Construction of 7 seed processing and storage facilities	The 7 seed centres were constructed during the FY Londiani, Turbo, Lodwar, Muguga, Lamu, Meru, Wajir are at an average of 92% completion rate
	Financial Management	Amount of money raised through A-in-A	Raise Ksh. 76 million through sale of forest produce; hire of facilities; house rent and sale of water and Laboratory analysis	Kshs. 79,452,737 was raised as internally generated revenue
		% absorption of funds allocated by GoK and donors	Ensure absorption of 100% of allocated funds	Absorption was at 100%
		% pending bills incurred	Ensure pending bill do not exceed 1% of approved budget	Kshs 65,559,804 pending bills
	To undertake management of the procurement function, offer technical advice on procurement issues	Access to Government Procurement Opportunities	Ensure that at least Kshs. 168,139,654.42 of the total procurement budget of is reserved and awarded to the Youth, Women and Persons with Disabilities	Ksh. 171,170,581.74 worth of goods and services was awarded to PWDs

Kenya Forestry Research Institute

Annual Report and Financial Statements for the Year Ended June 30, 2025.

Strategic Themes/ Departments	Objective	KPI	Activities	Achievements
	and ensure compliance with procurement policies, rules, and regulations	Promotion of Local Content in Procurement	Reserve at least 40% of procurement budget for local goods and services	Ksh. 336,657,128.21 worth goods and services procured locally

8. Corporate Governance Statement

The KEFRI Board is established under the Science Technology & Innovation Act No. 28 of 2013 and the State Corporations Act, Cap 446 Laws of Kenya. However, KEFRI's mandate is found in Section 22 of the Forest Conservation & Management Act, which states that KEFRI shall be the national agency in forestry research and development.

The Institute is managed by the Director/CEO under the oversight of the Board of Directors. The KEFRI Board embraces the principles of good governance espoused in Article 10 of the Constitution 2010 which include fostering a culture of integrity, accountability, and transparency.

The Board derives further guidance from Mwongozo: The Code of Governance for State Corporations. The Board also conforms to regular Government Circulars and seeks advice from the State Corporations Advisory Committee (SCAC) and the Salaries & Remuneration Commission (SRC) whenever required.

The Board performs its role through board meetings and oversees corporate governance, advises management on developing financial plans, determines the strategic direction, goals and objectives as well as evaluating management's performance in pursuing and achieving those goals.

a) The Board Size, Composition, and Independence

The KEFRI Board comprises a chairperson, five (5) independent directors, ex-officio representatives from key government institutions (Ministry of Environment, National Treasury, NACOSTI, State Corporations Advisory Committee, and Kenya Forest Service), and the Chief Executive Officer (CEO), who serves as the Board Secretary. Board appointments are made through formal, merit-based processes involving gazette notices and fit-and-proper assessments. Removals are effected through structured revocation procedures in cases of resignation, misconduct, incapacitation, or non-attendance.

The Board currently consists of thirteen (13) members, exceeding Mwongozo's recommended size of 7 to 9 members due to its structured representation model. This composition promotes diversity in expertise, gender, and institutional perspectives. Independent directors such as Mrs. Hamara Ibrahim Aden contribute to gender inclusivity and multidisciplinary balance. KEFRI has adopted a Board Charter aligned with Mwongozo, which outlines roles, responsibilities, induction protocols, and performance evaluation mechanisms.

b) Roles and functions of the Board

The Board provides strategic direction, approves budgets and organizational structures, monitors institutional performance, oversees sustainability initiatives, appoints and evaluates the CEO, and ensures effective stakeholder communication. It also enforces internal controls, ethics standards, and risk management frameworks.

c) Induction, Training, and Development

In compliance with Mwongozo, KEFRI implements structured induction programs for new board members, including competence assessments, regulatory briefings, and accreditation within six months of appointment. Board members undergo annual development sessions (minimum two days) and continuous professional training to enhance governance capacity.

d) Board and Members' Performance

Board performance is assessed annually through structured evaluations covering the Board, its committees, the Chairperson, CEO, and Secretary. In June 2025, the State Corporations Advisory Committee (SCAC) facilitated KEFRI's board evaluation, which confirmed the Board's effectiveness in strategic oversight, stakeholder engagement, and policy compliance. The Board demonstrated proactive leadership through regular committee meetings and strategic field visits to regional research centres, where members engaged with staff, reviewed ongoing research projects, and encouraged innovation in forestry science. These visits reinforced the Board's commitment to decentralized research and community-based forestry development.

A key milestone in Board performance was the appointment of KEFRI's CEO, Dr. Jane Njuguna, through a highly competitive and transparent process. The recruitment was guided by Mwongozo principles and involved rigorous vetting, stakeholder consultation, and merit-based selection. Dr. Njuguna's appointment reflects the Board's commitment to professional excellence and institutional leadership.

e) Board Meetings and Attendance

KEFRI's Board held quarterly meetings in line with Mwongozo's requirements. A quorum was consistently achieved, and attendance records indicated active participation and commitment to governance responsibilities. Committee meetings were also held regularly, with documented minutes and resolutions.

The table below details membership and attendance as per scheduled Board meetings during the year.

No	Board Member	FB*	SB	RD	F&A	A	HR	TOTAL
1	Gen (Rtd) Samson Mwathethe	4	5	-	-	-	2	11
2	Justin Kabuiku	4	5	5	2	2	3	21
3	Hamara Ibrahim Aden	4	6	2	2	-	8	22
4	Davies M. Ndambuki	4	6	3	4	-	6	23
5	Chrislogus A. Makokha	4	5	2	-	4	7	22
6	George Tarus	2	3	2	1	-	3	11
7	Gideon Kirui	3	6	5	-	4	2	20
8	Metett Kibet Robert	4	5	-	2	4	6	21
9	Elly Ongei	4	4	-	4	4	2	18
10	Charity Munyasia	3	2	3	-	-	3	11
11	Ntoros Baari Ole Senteu	1	4	1	1	-	2	9
12	Zipporah Toroitich -KFS	1	-	1	-	-	1	3
13	Dr. Joel Kaburu	-	3	-	-	-	1	4

**FB- Full Board Meeting; SB- Special Board Meeting; RD- Research and Development Committee Meeting; F&A- Finance and Administration Committee meeting; A- Audit Committee Meeting*

f) Succession Planning

Board tenures are limited to two terms of three years each, with staggered appointments to preserve institutional memory. The CEO oversees succession planning, ensuring leadership continuity and strategic alignment across departments.

g) Conflict of Interest Policy

KEFRI has developed a comprehensive Conflict of Interest Policy aligned with the Conflict of Interest Act, 2025. The policy outlines prohibited activities, asset declarations, oversight mechanisms, recusal procedures, and related party transaction protocols. It is currently awaiting formal Board approval.

h) Board Remuneration

Remuneration for Board members is guided by Mwongozo's principles of transparency and performance linkage. Details on fees, allowances, and bonuses are disclosed in KEFRI's audited financial statements.

i) Ethics and Conduct

KEFRI upholds ethical conduct, fiduciary responsibility, confidentiality, and integrity. The Institute's core values, such as "Integrity" and "Inclusivity" reflect its commitment to public interest and ethical governance.

j) Governance Audit

Mwongozo mandates annual governance audits by ICPSK-accredited professionals. Due to budgetary constraints in the Legal and Board Management Services department, KEFRI was unable to conduct the Governance audit in FY 2024/2025. Plans are underway to resume this critical compliance activity in FY 2025/2026.

k) Communication Policy

Effective stakeholder communication is a core governance function. KEFRI's Corporate Affairs Unit facilitates institutional communication, public engagement, and quality assurance across all departments.

l) Board Committees and Terms of Reference

KEFRI has four Board Committees, Finance & Audit, Technical & Research, Human Resource & Governance, and Risk & Compliance, each with clearly defined terms of reference and operational charters and terms of reference in line with Mwongozo.

m) Related Party Transactions

KEFRI maintains transparency in related party transactions, with disclosures made publicly in accordance with Mwongozo guidelines and financial reporting standards.

9. Management Discussion and Analysis

This Annual Report captures the overall performance of the Institute based on its key strategic objectives and the annual performance contract in line with the KEFRI Strategic plan 2022-2027. The report comprises the operational and financial performance of the Institute for the last three years. A discussion of key projects and investments undertaken or on-going is also included. The detailed management discussion and analysis is as stated below.

1.) Operational and Financial Performance

i) Operational Performance

I) Operational performance

KEFRI is implementing the 7th Strategic Plan (2022-2027). The Strategic Plan is anchored on the Institute's mandate and guided by the Bottom-Up Economic Transformation Agenda, BETA and The Fourth Medium Term Plan 2023-2027 with the main objective being the improvement of the livelihoods and welfare of Kenyans under the Environment and Climate Change pillar.

KEFRI is a thought leader in Kenya's 15 billion tree growing initiative, known as Mission 15B#JazaMiti, as launched by the President in December 2022. The goal is to plant 15 billion trees by 2032 to combat climate change, reduce greenhouse gas emissions, and restore degraded landscapes. This ambitious project aims to restore 10.6 million hectares of degraded land and increase Kenya's tree cover to 30% by 2032. It's a significant step towards improving biodiversity and mitigating the impacts of climate change. **KEFRI's role in the initiative is to provide technical support and high-quality tree seeds.**

On operational performance, KEFRI management continues to focus on improved efficiency and effectiveness through strengthening expenditure control, monitoring and ensuring value for money. Business process re-engineering through implementation of Enterprise Resource Planning implementation remained a key priority during the period.

During Financial Year 2024/2025, the Institute implemented various projects and programmes that focused on development of forest technologies, dissemination of research findings to the stakeholders and improved infrastructural facilities. The programmes and projects were mainly funded through government grants, development partners and internally generated funds. Funds from the Government were mostly used for personnel emoluments, capital projects and maintenance services. Donor funds were used for development of research technologies as per partnership agreements. Internally generated funds were used to cater for utility bills within the Institute.

b) Financial performance**i) Income Trends**

In the financial year ending 30th June 2025, KEFRI operated under a zero-development budget, yet continued to implement ongoing development projects. This was made possible through carryovers, internal savings, and strategic use of available resources. However, the Institute faced delays in funding, with KES 208.25 million in recurrent funds not received by year-end, which has been accrued in the financial statements.

GoK funding remains the primary source of income for KEFRI. In FY 2024/2025, the Institute received KES 1.65 billion, a decrease of KES 328 million from the previous year. This reduction significantly impacted operational capacity, particularly in areas reliant on recurrent expenditure such as personnel emoluments and operation and maintenance. No development funds were received during the year, further constraining capital investment.

KEFRI received KES 80 million out of the projected KES 100 million for the National Tree Growing Initiative. Despite the shortfall, activities under this initiative, especially tree seed collection, remained on track, demonstrating effective prioritization and execution.

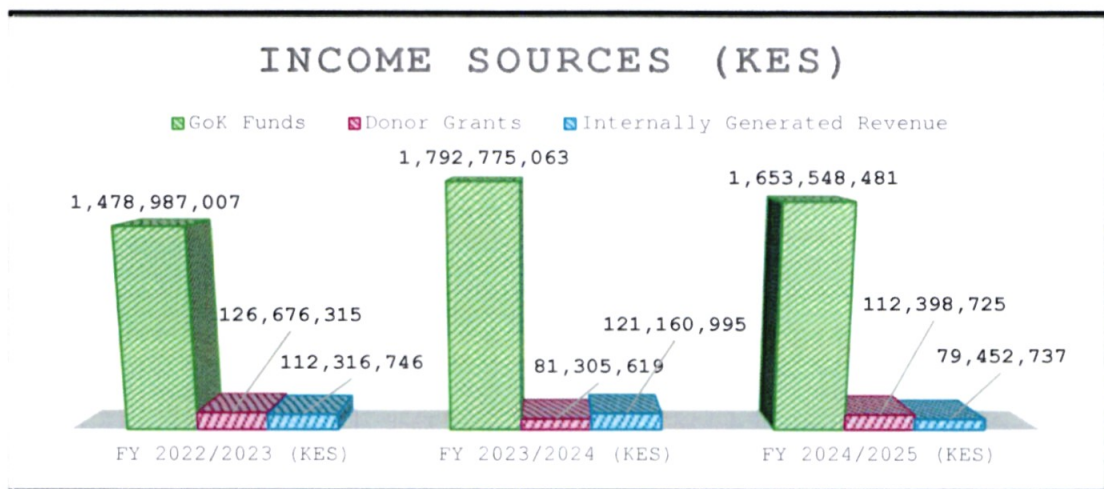
Donor funding increased to KES 112.39 million in FY 2024/2025, up from KES 81.31 million in the previous year. These funds were directed toward designated research activities, in line with partnership agreements. The increase reflects renewed donor confidence and strategic alignment with research priorities.

Internal revenue declined to KES 79.42 million, down from KES 121.16 million in FY 2023/2024. This drop was largely due to reduced commercial activities, including lower uptake of KEFRI's products and services. Internally generated funds were primarily used for production supplies and utility payments.

Table: Income Sources by Fiscal Year

Income Source	FY 2022/2023 (KES)	FY 2023/2024 (KES)	FY 2024/2025 (KES)
GoK Funds	1,478,987,007	1,792,775,063	1,653,548,481
Donor Grants	126,676,315	81,305,619	112,398,725
Internally Generated Revenue	112,316,746	121,160,995	79,452,737

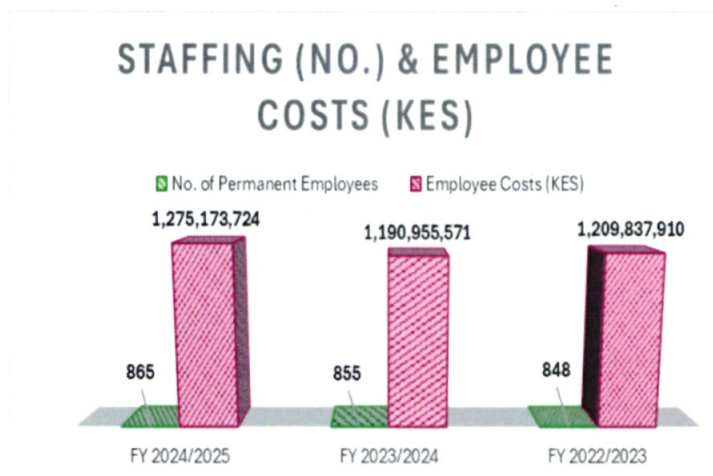
Chart: KEFRI Income Sources by Fiscal Year

**ii) Absorption rate**

During the financial year under review, KEFRI demonstrated strong financial discipline by fully absorbing the budgeted funds from all key income streams—Government grants, donor grants, and internally generated revenue. This reflects effective planning, timely execution of activities, and alignment of expenditures with institutional priorities.

iii) Staffing and Employee Costs

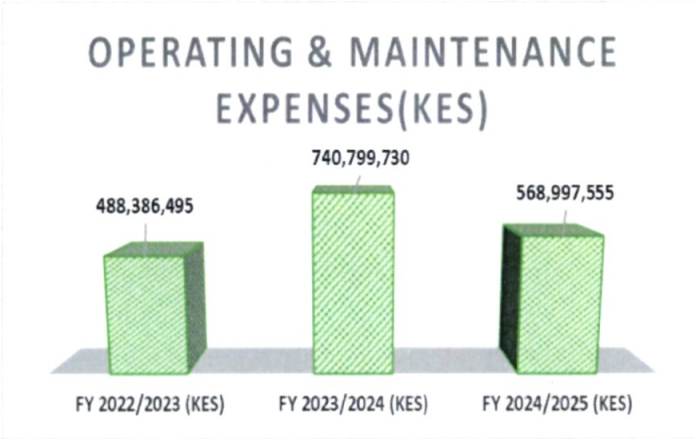
As of 30th June 2025, the Institute had a total of 865 permanent employees, up from 855 in FY 2023/2024 and 848 in FY 2022/2023. This gradual increase reflects the Board and National Treasury's approval for the replacement of critical staff exiting service, ensuring continuity in key operational areas.



Despite the growth in staff numbers, employee costs have remained relatively stable over the three-year period:

Particulars	FY 2024/2025	FY 2023/2024	FY 2022/2023
No. of Permanent Employees	865	855	848
Employee Costs (KES)	1,275,173,724	1,190,955,571	1,209,837,910

iv). Operating and Maintenance costs



Operating costs at KEFRI cover essential day-to-day functions that support research and institutional operations. These include expenditures on research materials, production supplies, chemicals, laboratory consumables, utilities (electricity and water), conservation efforts,

communication (telephone, internet), travel and accommodation, advertising and publicity, fuel and lubricants, security services, insurance, and repairs and maintenance.

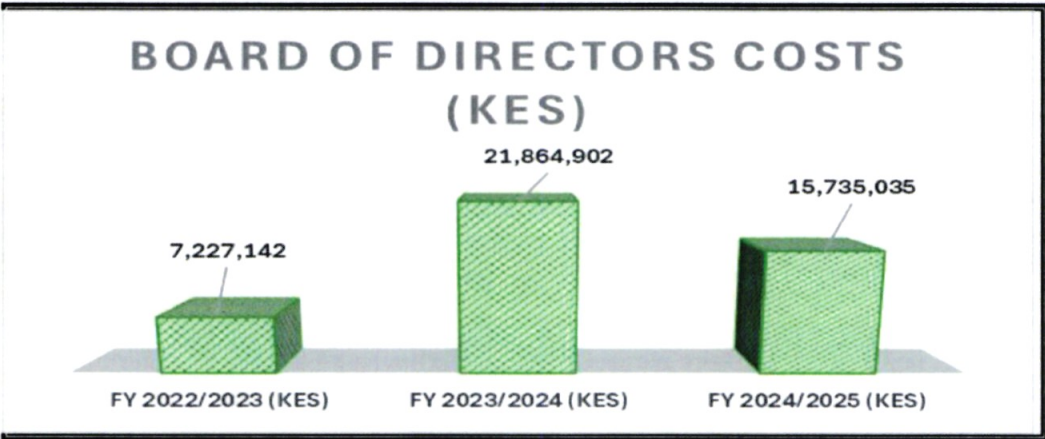
In FY 2024/2025, these expenses declined to KES 568.99 million from KES 740.80 million in the previous year. The reduction was primarily due to decreased funding, which significantly impacted the scale and intensity of research activities. Despite the drop, the expenses remained higher than those recorded in FY 2022/2023, which stood at KES 488.39 million, indicating a fluctuating trend influenced by budgetary allocations and operational priorities.

This trend underscores the importance of sustained funding to maintain research momentum and operational efficiency.

Table: Operating and Maintenance Expenses

Particulars	FY 2022/2023 (KES)	FY 2023/2024 (KES)	FY 2024/2025 (KES)
Operating & Maintenance Expenses	488,386,495	740,799,730	568,997,555

v) Board of Management Expenses



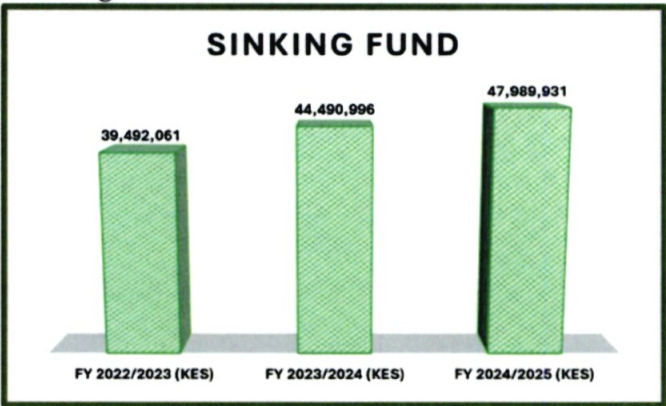
Board of Management expenses at KEFRI cover key governance-related costs, including board allowances, meeting expenses, and medical insurance. In FY 2023/2024, the board was fully constituted, resulting in increased activity and higher associated costs. However, in FY 2024/2025, expenses declined to KES 15.73 million, down from KES 21.86 million in the previous year, though still significantly higher than KES 7.23 million recorded in FY 2022/2023..

Table: Board of Management Expenses

Particulars	FY 2022/2023 (KES)	FY 2023/2024 (KES)	FY 2024/2025 (KES)
Board of Directors Costs	7,227,142	21,864,902	15,735,035

vi) Sinking Fund

Sinking Fund Contributions



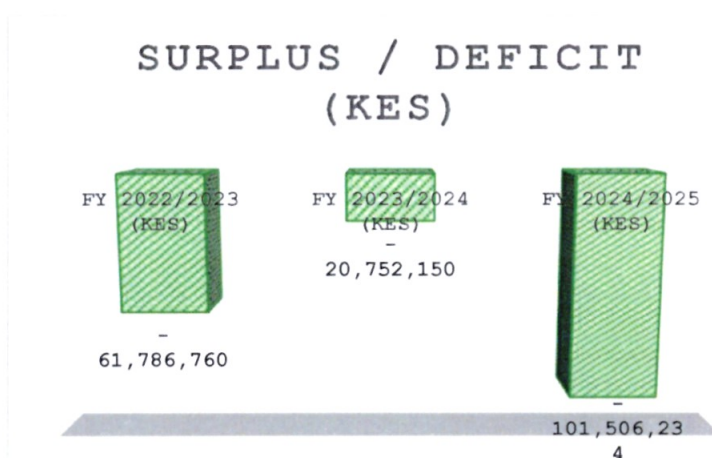
KEFRI maintains a Sinking Fund to support the purchase and maintenance of capital assets, ensuring long-term sustainability of infrastructure and equipment. Contributions to this fund are made annually from internal revenue sources, with the amount determined by the availability of funds. Where

feasible, the fund may be invested to earn interest, further boosting its value.

In FY 2024/2025, the fund increased to KES 47.99 million, up from KES 44.49 million in FY 2023/2024 and KES 39.49 million in FY 2022/2023. This upward trend reflects a strategic commitment to asset sustainability, despite broader financial constraints. The consistent contributions demonstrates prudent financial planning and prioritization of long-term institutional needs.

Table: Sinking Fund Contributions

Period	FY 2022/2023 (KES)	FY 2023/2024 (KES)	FY 2024/2025 (KES)
Sinking Fund	39,492,061	44,490,996	47,989,931

viii) Surplus/ (Deficit)

During FY 2024/2025, KEFRI recorded a deficit of KES 101.5 million, a significant increase from the KES 20.75 million deficit in the previous year. This widening gap was primarily due to constrained funding, which affected the Institute's ability to fully finance its operations.

Despite operating under a Zero Development Budget, the Institute continued to implement ongoing activities by leveraging carryovers and internal savings, demonstrating resilience and commitment to its mandate. The deficit trend over the past three years highlights the need for enhanced resource mobilization and strategic financial planning to ensure sustainability.

Table: Surplus / Deficit Trend

Period	FY 2022/2023 (KES)	FY 2023/2024 (KES)	FY 2024/2025 (KES)
Surplus / Deficit	(61,786,760)	(20,752,150)	(101,506,234)

c) Supply Chain Management

Supply Chain facilitates the acquisition of goods and services required to meet the needs of achieving corporate and strategic objectives.

Supply chain management is a significant cost and value driver in the delivery of the best prices, highest quality, and the best availability of requirements through the development of an agile supply base.

d) Asset Management

The Institute has continued to make the best use of equipment, machinery, tools, and buildings to maximize value. This has been done through: -

i) Establishment of Asset Management Structures

Maintaining and updating Assets Registers using the prescribed reporting templates issued by the National Treasury. The Institute has an automated system for maintaining and controlling its assets. As at 30th June 2025, asset book value was Kshs. 6.048 billion as compared to Kshs. 5.935 billion in the previous year

ii) Disposal of Assets

Disposal at the Institute is done in full conformity with the Public Procurement and Asset Disposal Act 2015 and Environmental Management and Coordination Act.

iii) Repairs and Maintenance

Activities geared towards restoring assets, equipment, and tools to usable condition after damage or wear have been expedited. These activities include service contracts for specialized laboratory equipment, motor vehicles and minor alterations of buildings and stations. Strategic moves to repair motor vehicles for seed collection, repairs of staff houses and offices were carried out during the year.

e) Institute's Compliance with Statutory Requirements

The Board has continued to comply with statutory requirements including remittance of statutory deductions such as Pay-As-You-Earn, National Hospital Insurance Fund, National Social Security Fund, Higher Education Loans Board and Pension Scheme. In addition, the Institute has adhered to other legal requirements such as the Public Finance Management Act, 2012 (PFM), NEMA Act, Labour Relations Act as well as Treasury Circulars issued from time to time.

f) Entity's Key Projects or Investments Decision Implemented or Ongoing

The key projects funded by the Government include: -

- i) Development of Forest Research Technologies.
- ii) Strategic intervention on tree seed infrastructure technology development.
- iii) Establishment of Farmers Resource Centre including Migori and Taita Taveta
- iv) Construction of glass and greenhouses.
- v) Renovating and equipping research laboratories.
- vi) Conservation activities towards 30% tree cover.
- vii) Development of Tiva Management Plan for dryland forestry.

2024/2025 Financial Year KEFRI Achievements in Pictorials







The Bottom-Up Economic Transformation Agenda (BETA)

The 7th Strategic Plan is anchored on the Institute's mandate and guided by the Bottom-up Economic Transformation Agenda (BETA) and The Fourth Medium Term Plan 2023-2027.

The Government's BETA aims to increase investments in at least five sectors envisaged to have the largest impact and linkages to the economy as well as on household welfare. These include:

- 1) Agricultural Transformation and inclusive growth.
- 2) Micro, Small and Medium Enterprise (MSME).
- 3) Housing and Settlement.
- 4) Healthcare; and
- 5) Digital Superhighway and Creative Industry

The Institute will contribute to the BETA agenda as follows:

1. Agricultural Transformation and inclusive growth

- i) Enhance development of agroforestry technologies and uptake in rural and urban areas
- ii) Enhance trees in agro-silvo-pastoral systems.
- iii) Undertake research on appropriate tree crop interaction in farm forestry.
- iv) Undertake species trial on emerging plantation species in the drylands and the high potential areas.

- v) Undertake studies of governance models in forestry and evaluate their contribution to forest management and livelihood improvement.
- vi) Mitigate climate change through enhanced processing and utilization of biomass energy.
- vii) Enhance bamboo production.
- viii) Improve the quality of wood and bamboo products.
- ix) Improve bamboo harvesting and timber logging technologies.
- x) Optimize utilization of timber and bamboo products
- xi) Enhance management and control of invasive species.
- xii) Improve forest and livestock management in natural forests and woodlands.
- xiii) Enhance livelihoods through agro-ecology.
- xiv) Strengthen capacity and skills of stakeholders in climate change.
- xv) Develop forest landscape climate change mitigation technologies.
- xvi) Enhance conservation of wetlands and riparian ecosystems
- xvii) Enhance tree breeding and improvement.
- xviii) Enhance forest germplasm and tree seed production.
- xix) Enhance forest germplasm and tree seed distribution and conservation.
- xx) Provision of forest as habitat for birds, insects, and other food crop pollinators.

2. Micro, Small and Medium Enterprise

- i) Promote forest innovations hubs and link them to forest based industries.
- ii) Identify/develop and document forest and tree-based innovations for sustainable development.
- iii) Register patents on forest and tree-based innovations.
- iv) Undertake studies on investment opportunities and models in forestry.
- v) Build capacity of stakeholders on potential financing and trade options
- vi) Enhance forest investment opportunities for livelihood improvement.
- vii) Strengthen information exchange on commercial forestry investments and innovations.
- viii) Link and promote developed products and technologies to MSMEs
- ix) Build capacity of innovators and MSMEs
- x) Conduct expert training in forest products development.
- xi) Enhance Non-Timber Forest products development and standardization for uptake by SSMEs.
- xii) Provide raw materials for furniture, tools, utensils, for cosmetics, wood processing, curing and seasoning.
- xiii) Contribute to employment to youth and women in Small and Medium Enterprises such as soap making, food stabilizers, briquette and Eco-stove.

3. Housing and Settlement

- i) Strengthen conservation and sustainable use of mangroves. Mangroves act as a source of building materials.
- ii) Enhance biodiversity conservation and sustainable use of woodlands and rangelands.
- iii) Enhance forest landscapes restoration and rehabilitation.
- iv) Enhance conservation of wetlands and riparian ecosystems
- v) Enhance soil and water conservation.
- vi) Strengthen biodiversity conservation and sustainable use of natural forests.
- vii) Environmental education to youth and communities on tree growing as sources of raw materials for housing.
- viii) Provision of raw materials such as timber, poles, ropes, and grass.

4. Health Care (Forest health)

- i) Surveillance and management of pests and diseases
- ii) Contribution to the pharmaceutical industry through medicinal and herbal products
- iii) conservation of herbal medicinal plants
- iv) Establish lactating and baby care centres
- v) Enhance provision of psycho-social support to staff
- vi) Provide a clean, safe, and conducive work environment.
- vii) Provision of water for domestic use to both staff and local communities.
- viii) Provision of forests that act as habitat for bees for honey and bees wax production.
- ix) Forest mitigates climate change thus reversing the conditions for disease bearing vectors e.g., mosquitoes.
- x) Provision of forest that act as wind break thus taming down dust and air drift that would otherwise cause diseases; forest has therapeutic effects on human beings particularly stress reducing effects.
- xi) Forest food production that includes bamboo, *prosopis* and indigenous fruits with high nutritional values.
- xii) Forest increases resilience and acts as safety nets during drought and lean times and substitutes foods for vulnerable groups.
- xiii) Biodiversity conservation improves pest control leading to improved and sustainable farm production.

5. Digital Superhighway and Creative Economy

- i) Develop applications to support research and development.
- ii) Automation of Institute processes through the Enterprise Resource Planning (ERP) systems; Finance & Accounts, Supply Chain Management, Human Resource Management, Research and Development etc.

- iii) Automate the delivery and payment for services and products through online interaction interface – Pesaflow eCitizen.
- iv) Establish forestry innovations and incubation centres
- v) Implement conferencing solutions.
- vi) Establish digital resource centres
- vii) Disseminate scientific information through e-platforms.

g) Major risks facing the Institute

The Kenya Forestry Research Institute recognizes that effective risk management is essential to achieving its mandate of promoting forestry research and development for sustainable resource management. As part of its corporate governance framework, KEFRI is committed to embedding risk management into all aspects of its operations and strategic planning.

To this end, the Institute is dedicated to:

1. Fostering a Risk-Aware Culture. Encouraging staff at all levels to proactively identify, assess, and respond to risks in a timely and effective manner.
2. Demonstrating Responsible Risk Management to Stakeholders. Ensuring that **partners, donors, and collaborators understand and trust KEFRI's approach to managing risks in research, financial stewardship, and service delivery.**
3. Implementing Consistent Risk Management Practices. Establishing standardized procedures and tools for risk identification, assessment, mitigation, and monitoring across departments and projects.
4. Aligning Organizational Growth with Strategic Risk Awareness. Recognizing that growth and innovation carry inherent risks, and ensuring that strategy execution is informed by robust risk analysis and mitigation planning.

This commitment supports KEFRI's resilience and agility in a dynamic operating environment, enabling the Institute to safeguard its resources, reputation, and research integrity while delivering on its national and international obligations.

Key Risks Facing KEFRI

i) Financial Risk

KEFRI is exposed to several financial risks that could impact its operations and sustainability:

- **Credit Risk:** This arises from the possibility that counterparties (e.g., donors, collaborators, or service providers) may default on their obligations. It includes risks from bank balances, receivables, and inter-agency transactions. KEFRI mitigates this by working with reputable financial institutions and maintaining oversight on receivables.

- **Market Risk:** KEFRI faces market risk primarily through foreign exchange fluctuations, especially in donor-funded projects or procurement of imported research equipment. Interest rate risk is minimal due to limited exposure to borrowing.
- **Liquidity Risk:** This is the risk of not having enough cash to meet obligations. KEFRI manages this by maintaining adequate cash reserves and aligning expenditure with budgetary allocations and disbursements from the National Treasury and development partners.

Note: KEFRI does not currently engage in financial hedging.

ii) Operational Risk

Operational risk at KEFRI stems from internal processes, human resource capacity, technology, and infrastructure. Specific concerns include:

- **Research Continuity:** Disruptions in fieldwork due to logistical challenges or environmental factors.
- **Staff Capacity:** Limited technical expertise in emerging areas like biotechnology or climate modeling.
- **Infrastructure:** Aging research facilities and equipment may hinder efficiency.
- **Compliance:** Risks related to adherence to procurement laws, donor requirements, and ethical standards.

KEFRI aims to balance risk mitigation with innovation and flexibility in research and operations.

iii) Political and Legislative Risk

Political transitions and legislative changes can affect KEFRI's strategic direction and funding:

- **Policy Shifts:** Changes in government priorities may affect forestry research funding or shift focus away from long-term environmental goals.
- **Election Cycles:** Uncertainty during elections can delay budget approvals and disrupt project implementation.
- **Legislative Amendments:** New laws or amendments (e.g., environmental regulations, land use policies) may require KEFRI to adjust its research agenda or operations.

iv) Information Security Risk

As KEFRI digitizes its operations and research data:

- **Cybersecurity Threats:** Risks of data breaches, ransomware, and unauthorized access to sensitive research findings.
- **Fraud and System Integrity:** Potential manipulation of financial or research data.

- **Data Protection: Ensuring compliance with Kenya's Data Protection Act and safeguarding intellectual property.**

KEFRI is investing in secure IT infrastructure, staff training, and data governance frameworks to mitigate these risks.

h) Material arrears in statutory/financial obligations

At the close of the 2024/2025 financial year, KEFRI faced material pending financial obligations amounting to Kshs 66 million, posing a significant strain on its operational liquidity and financial planning. This situation is further compounded by the sudden cessation of funding for ongoing projects, many of which were at critical implementation stages.

A particularly high-risk area involves the Seed Infrastructure Development Programme, which is central to KEFRI's mandate of enhancing forest productivity and resilience across Kenya's diverse eco-regions. These centres are strategically located in various ecological zones and are expected to be completed and handed over in the first quarter of FY 2025/2026.

i) The Institute financial probity and serious governance issues

The Institute did not have any serious governance issues as at the end of the financial year.

10. Environmental and Sustainability Reporting

As part of its commitment to sustainable development, the Kenya Forestry Research Institute (KEFRI) continues to integrate Environmental, Social, and Governance (ESG) principles into its operations, research programs, and stakeholder engagements. KEFRI's mandate in forestry research and natural resource management positions it as a key player in advancing environmental stewardship and contributing to national development goals. The Institute's approach to ESG is guided by a deep understanding of the long-term impact of its activities on ecosystems, communities, and institutional integrity.

Environmentally, KEFRI upholds principles of stewardship, conservation, and biodiversity protection. The Institute promotes responsible management of forest ecosystems to preserve ecological integrity for future generations. Conservation efforts are embedded in its operations through efficient resource use, waste reduction, and habitat protection. KEFRI also prioritizes biodiversity by safeguarding diverse ecosystems and species that support environmental resilience and essential ecosystem services. In line with circular economy principles, the Institute encourages reuse, recycling, and repurposing of materials to minimize waste and promote sustainable consumption. Climate action is a central focus, with KEFRI implementing mitigation and adaptation strategies, including research on carbon sequestration, climate-resilient tree species, and sustainability metrics. Furthermore, KEFRI engages communities, especially youth through environmental education and advocacy to foster responsible environmental behavior, recognizing the intrinsic link between environmental health and human well-being.

Socially, KEFRI's impact is reflected in its inclusive research programs and community outreach initiatives. The Institute collaborates with local communities in tree planting, seed distribution, and forest conservation efforts. It empowers youth through targeted environmental education programs and promotes gender-responsive forestry practices to ensure equitable access to research benefits and opportunities.

Governance at KEFRI is anchored in transparency, accountability, and strategic oversight. The Board of Directors plays a critical role in ensuring that institutional performance aligns with ESG goals. Risk management is integrated into strategic planning, addressing financial, operational, and environmental risks. KEFRI also maintains strict compliance with national laws, donor requirements, and ethical standards in research and procurement.

Recent advancements in sustainability management within Kenya's public sector further reinforce KEFRI's ESG efforts. The UN Sustainable Development Cooperation Framework (2022-2026) aligns Kenya's development priorities with the Sustainable

Development Goals (SDGs), emphasizing integrated programming under the themes of People and Peace, and Planet and Prosperity. The SDG Partnership Platform has introduced innovative financing mechanisms such as Development Impact Bonds and attracted private sector investments in health and environmental services. Additionally, the Infrastructure Asset Management Roadmap, developed by UNOPS and the State Department for Public Works, promotes data-driven, lifecycle-based management of public assets to ensure inclusive and resilient service delivery. The Public Service Commission has also emphasized the need for state corporations to align governance structures with sustainability principles, focusing on professionalism, transparency, and succession planning.

Through these efforts, KEFRI continues to demonstrate leadership in environmental research and sustainability, contributing meaningfully to Kenya's Vision 2030 and global climate goals.

Specific initiatives undertaken during the financial year 2024/2025 were as follows: During the reporting period, KEFRI collected a total of 75,789.76 kilograms of high-quality tree seeds across various ecological regions, achieving 75.8% of the annual target of 100,000 kilograms. Out of the total collected, 63,267.81 kilograms were distributed to stakeholders, including community groups, government agencies, and private sector partners. These efforts support sustainable forest restoration, improved access to genetically superior planting materials, enhanced biodiversity conservation, and reliable seed sourcing for afforestation and reforestation programs.



Packaged tree seed ready for distribution

The identification, collection, grading, testing, storage, and distribution of high-quality tree seeds form the backbone of Kenya's national goal to achieve 30% tree cover. These activities ensure the availability of genetically superior and ecologically appropriate planting materials, which are essential for Forest rehabilitation and restoration,

Sustainable afforestation and reforestation efforts, Efficient and reliable seed sourcing, Improved germination and survival rates. By maintaining robust seed systems across all ecological regions, KEFRI plays a pivotal role in supporting national climate action, biodiversity conservation, and sustainable land management.

During the reporting period, KEFRI established and maintained 116.6 hectares of seed orchards and seed stands across diverse ecological zones, focusing on high-value tree species such as Casuarina, Pine, Eucalyptus, and Melia, among others. These orchards serve as both



conservation stands and reliable sources of high-quality seeds, supporting forest rehabilitation and sustainable tree seed sourcing efforts.

The seed orchards play a critical role in the conservation of genetic resources, particularly for near-threatened and indigenous species. By concentrating superior genetic material in managed environments, KEFRI enhances the efficiency of seed collection and ensures consistent access to genetically superior planting materials. This initiative directly contributes to the Institute's broader goals of biodiversity conservation, forest restoration, and sustainable forestry development.

Through these efforts, KEFRI strengthens Kenya's capacity to meet its national tree cover targets, supports climate resilience, and promotes sustainable land use practices. The orchards are a strategic investment in long-term ecological sustainability and a testament to KEFRI's leadership in forestry research and environmental stewardship.



During the reporting period, KEFRI actively disseminated forestry technologies and research findings to promote adoption and upscale forestry development. A total of 18 dissemination activities were conducted, including participation in Agricultural Society of Kenya (ASK) shows, radio and television interviews, newsletters, and the publication of the Institute's annual reports. These platforms provided valuable opportunities to showcase cutting-edge research and engage the public, stakeholders, and partners in forestry innovations.

In addition, KEFRI produced 27 publications in the form of peer-reviewed journal articles, technical notes, guidelines, and policy briefs. These publications served to communicate technical research findings to both academic and practitioner audiences, **enhancing the visibility and impact of KEFRI's work in forestry science and policy.**

To support its research agenda, KEFRI developed 40 resource mobilization concepts targeting various disciplines such as tree health, biotechnology, pathology, wood science, chemistry, and tree breeding. These concepts were designed to attract funding and partnerships for advancing forestry research and innovation, ensuring the Institute remains responsive to emerging challenges and opportunities in the sector.

To support the conservation and propagation of indigenous and near-threatened tree



species, KEFRI undertook targeted efforts to raise planting materials for species that are traditionally difficult to propagate. During the reporting period, the Institute successfully propagated a range of indigenous tree species, including *Yushania alpina* (bamboo), *Vitex payos*, *Melia volkensii*, *Dalbergia melanoxylon*,

Zanthoxylum giletti, *Terminalia brownii*, and *Maesopsis eminii*. These species are vital for ecological restoration, biodiversity conservation, and sustainable land management, yet often face challenges in natural regeneration due to low germination rates or limited seed availability.

A notable achievement was the propagation of 32,110 bamboo seedlings, aimed at promoting bamboo conservation and supporting its integration into agroforestry systems and commercial forestry. These propagation efforts ensure the sustainability of Kenya's indigenous tree cover, enhance access to ecologically appropriate planting materials, and contribute to national goals such as achieving 30% tree cover and strengthening climate resilience.

By investing in the propagation of hard-to-grow indigenous species, KEFRI reinforces its role as a leader in forestry research and conservation, ensuring that future generations benefit from Kenya's rich forest biodiversity.

KEFRI continued to strengthen the capacity of its partners and communities to adopt and scale up forestry technologies aimed at environmental conservation and livelihood improvement. During the reporting period, the Institute conducted a series of targeted training programs covering a wide range of thematic areas. These included commercial tree nursery establishment, urban forestry, Payment for Ecosystem Services (PES), nature-based climate resilience and mitigation strategies, bamboo utilization and value addition, propagation and nursery techniques, and on-farm tree establishment and management, among others.

These capacity-building initiatives were designed to equip stakeholders with practical skills and knowledge to implement sustainable forestry practices, enhance ecosystem services, and improve community livelihoods. By promoting the adoption of innovative and climate-smart forestry technologies, KEFRI plays a pivotal role in building resilient landscapes and empowering communities to contribute meaningfully to Kenya's environmental and socio-economic development goals.

KEFRI Participated in the following forums: World Desertification and Drought Day; World Environment Day (WED); International Day of Forests (IDF); World Bamboo Day; and World Wetlands Day.



1.3 million tree seedlings were produced across various Eco regional tree nurseries



a) Environmental Performance

KEFRI continues to uphold its commitment to environmental sustainability and operational excellence through the implementation of robust Environmental and Quality Management Systems. Since 2016, the Institute has maintained certification to ISO 9001:2015 (Quality Management) and ISO 14001:2015 (Environmental Management) standards, awarded by SGS, a globally recognized certification body. **These certifications reflect KEFRI's dedication to continuous improvement, regulatory compliance, and responsible environmental stewardship.**

The Institute's integrated management system is anchored in its Environmental and Quality Management Policy, which outlines key commitments including the annual establishment and review of quality and environmental objectives, satisfaction of customer requirements, and adherence to applicable legal and regulatory frameworks. KEFRI also prioritizes environmental protection through enhanced waste management strategies and promotes effective communication of the policy to both internal and external stakeholders to ensure widespread understanding and implementation.

Key focus areas during the reporting period included minimizing carbon footprints through reduced energy consumption, maintaining conformance to ISO standards, and implementing comprehensive waste management mechanisms. These mechanisms address hazardous waste, e-waste, non-hazardous solid waste, and laboratory effluent discharge. The Institute also invested in awareness creation, staff training, and safety campaigns to reinforce environmental responsibility.

Compliance with environmental laws and regulations was rigorously monitored, supported by regular management reviews, internal audits, and surveillance audits to drive continual improvement. KEFRI's performance is tracked using well-defined objectives and evidence-based metrics, ensuring transparency and accountability in its sustainability efforts.

Employee Welfare

KEFRI remains committed to attracting, developing, and retaining a competent and motivated workforce to support its mandate. During the reporting period, significant progress was made in reviewing key Human Resource Management Instruments, including the organizational structure, grading and staff establishment, career progression guidelines, and the Human Resource Management Policy and Procedures Manual. The review process has reached the stakeholder engagement phase, reflecting KEFRI's inclusive approach to institutional development.

To address staffing gaps and enhance service delivery, the Institute appointed 77 new staff members, conducted staff rationalization, and implemented training, development, and mentorship programs. In alignment with government reforms aimed at streamlining operations and reducing inefficiencies, KEFRI absorbed 24 employees from the dissolved Kenya Water Towers Agency, following a Cabinet decision made on 21st January 2025 at State Lodge Kakamega. Additionally, KEFRI engaged 78 graduates through its internship program and hosted 316 students on industrial attachment, contributing to youth empowerment and skills development.

Gender representation at the Institute stands at 40% female and 60% male, in compliance with the one-third gender rule. KEFRI has also institutionalized occupational safety and health practices through the development of a comprehensive Occupational Safety and Health Policy and the establishment of an operational safety committee. The Institute has registered its workplaces and obtained permits from the Directorate of Occupational Safety and Health, and continues to conduct annual safety audits and inspections.

KEFRI's Occupational Health and Safety Procedure, embedded within its Integrated Management System, addresses key safety principles including accident and incident reporting, first aid, fire safety, safety inspections, and staff training. All employees, contractors, and other stakeholders are required to comply with the Occupational Safety and Health Act of 2007, with permits issued for non-routine activities to ensure adherence to safety standards. These measures underscore KEFRI's commitment to providing a safe and healthy working environment for all.

d) Marketplace practices

KEFRI continues to uphold responsible marketplace practices that reflect its commitment to transparency, fairness, and sustainability in public procurement and stakeholder engagement.

i) Responsible Supply Chain and Supplier Relations

The Institute has maintained strong and ethical relationships with suppliers by ensuring timely payments, typically within 30 days and promoting fairness and competitiveness in the procurement processes. Suppliers receive feedback on procurement outcomes, enabling continuous improvement. KEFRI also conducts regular sensitization sessions to educate suppliers on government contracting procedures and procurement regulations. Continuous registration of suppliers and the use of complaint forms have fostered open communication and improved supplier relations. Annual supplier evaluations and appraisals are conducted to ensure quality and compliance. In line with affirmative action policies, KEFRI reserves and awards 30% of its procurement budget to Youth, Women, and Persons with Disabilities, promoting inclusivity and economic empowerment.

ii) Responsible Marketing and Advertising

KEFRI ensures transparency in its tendering processes by advertising tenders through MyGov, the Public Procurement Information Portal, and the KEFRI website. These platforms allow suppliers to access tender documents freely, register for updates, and request clarifications. Tender results are published online, enabling suppliers to monitor the process and request debriefings, thereby enhancing accountability and trust.

iii) Ethical Procurement and Market Practices

The Institute adheres to the Public Procurement and Asset Disposal Act (PPADA), 2015 and the Public Procurement and Asset Disposal Regulations (PPADR), 2020, applying best market practices in sourcing goods and services. Market surveys are routinely conducted to ensure price competitiveness and value for money, reinforcing fairness and transparency in procurement.

iv) Responsible Competition

KEFRI promotes fair competition by maintaining a rotating list of registered suppliers, ensuring equitable participation in procurement opportunities. Tender reports are published on the Institute's website, detailing reasons for unsuccessful bids and promoting openness in the evaluation process.

v) Product Stewardship

To ensure quality and reliability, KEFRI restricts procurement of specialized equipment to manufacturers and authorized dealers. This approach safeguards product integrity and supports long-term operational efficiency.

Corporate Social Responsibility (CSR) and Community Engagement

KEFRI plays a pivotal role in advancing sustainable development through its CSR initiatives, which are aligned with its vision, mission, and core values. Coordinated by the Corporate Affairs Office, these initiatives focus on environmental sustainability and support for vulnerable communities through both material and non-material assistance.

Key Focus Areas:

- **Environmental Protection:** KEFRI contributes to forest and natural resource conservation through research, innovation, and public advocacy. Technologies developed by the Institute support sustainable forest management, afforestation, and reforestation.
- **Community Development:** The Institute empowers forest-adjacent communities by offering training in sustainable forestry practices and income-generating activities. It supports community-based forest management and facilitates access to resources that improve livelihoods.
- **Education and Awareness:** KEFRI promotes public understanding of forestry and sustainability through educational materials, workshops, seminars, and media engagement. Collaborations with schools and community groups foster environmental stewardship.

Notable Initiatives:

- Establishment of community tree nurseries that supply seedlings and provide agroforestry training.
- Development and implementation of sustainable forest management plans in partnership with local communities.
- Support for forest-based enterprises and businesses to enhance economic resilience.
- Delivery of forestry education programs to schools and community groups.
- Strategic media engagement to raise awareness on forest conservation and environmental challenges.

Through these marketplace and CSR practices, KEFRI continues to demonstrate leadership in ethical governance, sustainable development, and inclusive community engagement.

CSR Highlights from the Financial Year 2 024/2025



Figure.1: Bee hive donation in Turkana County, tree seed distribution, tree growing, wetland protection, football team, community tree growing and Institute of Internal Auditors CSR

11. Report of the Directors

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

Principal Activities

The principal activities of the Institute are to conduct research in forestry and allied natural resources, disseminate research findings, build stakeholders capacities and establish partnerships and collaborate with research organizations and institutions of higher learning in joint research and trainings as provided for in legislation.

Results

The results of the Institute for the year ended June 30, 2025, are set out on page 1.

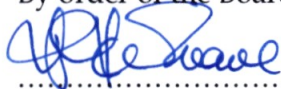
Directors

The members of the Board of Directors who served during the year are shown on page xxxii and xxxiii.

Auditors

The Auditor General is responsible for the statutory audit of the Institute in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year ended June 30, 2025.

By order of the Board.



.....
PHILIP M. KICHANA

CORPORATION SECRETARY

Date: 4TH DECEMBER 2025

12. Statement of Directors' Responsibilities

Section 81 of the Public Finance Management Act, 2012 and Sections 14 and 15 of the State Corporations Act 446, require the Directors to prepare financial statements in respect of the Institute, which give a true and fair view of the state of affairs of the Institute at the end of the financial year and the operating results of the Institute for the year. The Directors are also required to ensure that the Institute keeps proper accounting records which disclose with reasonable accuracy the financial position of the Institute. The Directors are also responsible for safeguarding the assets of the Institute.

The Directors are responsible for the preparation and presentation of the Institute's financial statements, which give a true and fair view of the state of affairs of the Institute for and as at the end of the financial year ended on June 30th, 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 Institute; (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 Institute; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

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

The Board of Directors further confirm the completeness of the accounting records maintained in the Institute, which have been relied upon in the preparation of the Institute's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Institute will not remain a going concern for at least the next twelve months from the date of this statement.

Kenya Forestry Research Institute

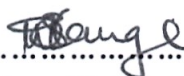
Annual Report and Financial Statements for the Year Ended June 30, 2025.

Approval of the Financial Statements

The KEFRI financial statements were approved by the Board on
and signed on its behalf by:



.....
Gen (Rtd) Samson J. Mwathethe
CHAIRMAN- BOARD OF DIRECTORS



.....
Dr. Jane W. Njuguna (PhD)
DIRECTOR - KEFRI

Date..... *8th December 2025*

Date..... *04/12/2025*

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REPORT OF THE AUDITOR-GENERAL ON KENYA FORESTRY RESEARCH INSTITUTE 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.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, 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

Qualified Opinion

I have audited the accompanying financial statements of Kenya Forestry Research Institute set out on pages 1 to 54, which comprise of the statement of financial position as at 30 June, 2025, and the statement 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

Report of the Auditor-General on Kenya Forestry Research Institute for the year ended 30 June, 2025

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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Forestry Research Institute 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 Science, Technology and Innovation Act, 2013 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Non – Disclosure of Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.6,048,775,929 as detailed in Note 8 to the financial statements. However, the amount excludes values of properties on various parcels of land measuring 2,847 hectares across the Country. These include parcels of land owned by Kenya Forest Service, Maseno University, Ministry of Agriculture, County Governments of Kitui, Lamu, and Migori, and Karura Forest where the Institute has a wood chemist facility. Further, the amount excludes the value of the Institute's Headquarter which is built on land registered under the Ministry of Environment and Natural Resources. In addition, title deeds for twenty-one (21) parcels of land possessed by the Institute were not provided for audit.

Further, physical inspection conducted in November, 2025 at Gede, Taita, Kibwezi, Londiani, Kitui and Maseno regional offices revealed that the assets which included chairs, desks, tables, cupboard, and ladders had not been tagged or coded yet delivery and inspection was done in May, 2025 and June, 2025. This was contrary to Section 72. (1) of the Public Finance Management Act, 2012 which states that An Accounting Officer of a National government entity shall be responsible for the management of the entity's assets and liabilities and manage those assets in a way which ensures that a national government entity achieves value for money in acquiring, using and disposing of those assets.

In the circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs.6,048,775,929 could not be confirmed.

2. Long Outstanding Receivables

2.1 Receivables from Exchange Transaction

The statement of financial position reflects receivables from exchange transaction balance of Kshs.5,068,879 as disclosed in Note 17(a) to the financial statements out of which receivables amounting to Kshs.1,675,610 have been outstanding for over two (2) years, The debt remained unpaid due to lack of frequent follow- up and hence their recovery is doubtful and no provision had been made in the financial statements. Further, the debts had not been referred to a debt collector as per the credit policy.

In the circumstances, accuracy, completeness and recoverability of the receivables amount of Kshs.1,675,610 could not be confirmed.

2.2 Receivables from Non-Exchange Transaction

The statement of financial position reflects receivables from non-exchange transaction balance of Kshs.2,311,907 as disclosed in Note 17(b) to the financial statements. The amount includes outstanding imprest, salary advance and salary in advance of Kshs.126,150, Kshs.35,816 and Kshs.42,500 which had been outstanding for more than one (1) year. Management has not explained why the outstanding imprest, salary advance and salary in advance have not been recovered from the payroll.

In the circumstances, the accuracy, completeness and recoverability of the imprest, salary advance and salary in advance all totalling Kshs.204,466 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Forestry Research Institute 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 qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual receipts on comparable basis amounts of Kshs.2,322,020,878 and Kshs.2,064,660,982 respectively resulting in an under-funding of Kshs.257,359,896 or 11% of the budget. Similarly, the Institute spent Kshs.2,166,167,216 against actual receipts of Kshs.2,064,660,982 resulting in an over-absorption of Kshs.101,506,234.

The under-funding affected the planned activities and 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. Except for the effect of the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review

of the status during audit of the Institute in 2024/2025 revealed that the following matters remained unresolved.

	Financial Year	Audit Issue
1	2023/2024	Excluded Property, Plant and Equipment
2	2023/2024	Long Outstanding Receivables
3	2023/2024	Long Outstanding Un-Surrendered Imprest
4	2023/2024	Unsupported Board Expenses
5	2023/2024	Budgetary Control and Performance
6	2023/2024	Failure to Meet Set Performance Targets
7	2023/2024	Unremitted and Accrued VAT
8	2023/2024	Understaffing at the Institute
9	2023/2024	Acting in Exceedingly Higher Position
10	2023/2024	Stagnation of Staff in Same Job Group for Long
	2023/2024	Staff Acting for Over Six (6) Months
11	2023/2024	Lack of Phased Transition in Appointment of Board Members
12	2023/2024	Lack of Appointment Letters of Independent Board Members

Other Information

Management is responsible for the Other Information set out on page iv to lxi which comprise of the Chairman's Statement, Report of the Chief Executive Officer, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors Responsibilities, The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Institute'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, except for the effect of the matters 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

1. Excessive Wage Bill

The statement of financial performance reflects employee costs amount of Kshs.1,275,173,724 which is approximately 69% of the total revenue amount of Kshs.1,860,991,519 thereby exceeding the 35% threshold. This was contrary to Regulation 26(1)(a) of the Public Finance Management (National Government) Regulations, 2015, which stipulates that an entity's wage bill shall not exceed thirty-five percent (35%) of its total revenue.

In the circumstances Management was in breach of the law.

2. Non – Compliance with One Third of Basic Salary Rule

Analysis of the payroll revealed that in the months from July, 2024 to April, 2025, there were cases of over committed salaries with some taking home as low as 1% of their basic pay. This was contrary to Section C.1 (3) of the Human Resource Policies and Procedures Manual for the Public Service of May, 2016 states that Public Officers shall not over-commit their salaries beyond two thirds (2/3) of their basic salaries and Heads of Human Resource Units should ensure compliance.

In the circumstances Management was in breach of the law.

3. Staff Serving in an Acting Capacity for more than Six (6) Months

Analysis of the staff payroll revealed that three (3) employees had been serving in acting positions above their substantive grades for periods exceeding six (6) months without the positions being substantively filled. This was contrary to Public Service Commission Human Resource Policies and Procedures Manual (2016) Section C.14(1) - When an officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he is eligible for payment of acting allowance at the rate of twenty percent (20%) of his substantive basic salary. Acting allowance will not be payable to an officer for more than six (6) months.

In the circumstances, Management was in breach of the law.

4. Payment of Special Duty Allowance for More than Six (6) Months

Analysis of the payroll revealed that four (4) employees were paid special duty allowance amounting to Kshs.792,785 for a period exceeding six (6) months, contrary to the provisions of Section C.15(4) Public Service Commission Human Resource Policies and Procedures Manual which states that special duty allowance will not be payable to an Officer for not more than six (6) months.

In the circumstances Management was in breach of the law.

5. Presentation Anomalies in the Financial Statements

Review of the financial statements revealed the following anomalies: -

- i. The statement of financial performance reflects provision for doubtful debts as Note 4 (a) instead of Note 4(b). The statement further reflects expenses in brackets contrary to the requirements the Public Sector Accounting Standards Board financial reporting template.
- ii. Heading on Pages 30,34,35, 36,38, 39 and 49 bear the title 'Notes to the financial statements for the period ended 30 June, 2025 instead of for the year ended 30 June, 2025.
- iii. The face of the financial statements reflects "For the financial year ended 30 June, 2025 instead of "For the year ended 30 June, 2025"

In the circumstances, the financial statements have not been presented in compliance with the Public Sector Accounting Standards Board financial reporting template and IPSAS 1 – Presentation of Financial Statements.

6. Non-Compliance with the Public Procurement Capacity Building Levy Order

Management did not provide evidence to confirm that the Institute complied with paragraph 3(1) of the Public Procurement Capacity Building Levy, Order 2023 which provides that there shall be paid a levy by a supplier on all procurement contracts signed between the supplier and a procuring entity, at the rate of zero point zero three per centum (0.03%) of the value of the signed contract, exclusive of applicable taxes. This is in addition to adherence to the Public Procurement Regulatory Authority (PPRA) circular No. 01/2024 dated 30 August, 2024 which requires procurement entities to remit the levy to the Authority through the e-Citizen payment platform by the 20th day of the subsequent month and also file monthly returns.

In the circumstances, Management was in breach of the law.

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, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Understaffing at the Institute

The approved staff establishment submitted for audit reflects that the Institute has a total staff establishment of one thousand three hundred and seventy (1,370). However, an analysis of staff in post revealed that the Institute was operating with only eight hundred and sixty-five (865) staff which is equivalent to 63% of the total approved staff establishment and that five hundred and four (504) posts representing 37% of the total approved staff establishment were vacant. Of concern are technical staff which are assistant principal research scientist and research scientist with fifty-eight (58) staff in post against one hundred and twenty-two (122) approved, and eight (8) in post against eighty-five (85) approved, respectively, resulting in variances of fifty (50) and thirty-seven (37) respectively. The Institute is therefore not operating at its optimal staffing level. This scenario may lead to poor service delivery and may hinder the Institute from achieving its objectives of conducting and disseminating research findings and development in forestry and allied resources.

In the circumstances, effective attainment of the Institute objectives and service delivery to the public could not be confirmed.

2. Lack of Appointment Letters of Independent Board Members

Review of board documents, governance and administrative records for the year under review, revealed that some Board Members of the Institute did not have formal appointment letters or instruments of appointment issued by the relevant appointing authority. As a result, the legitimacy of their participation in board deliberations and entitlement to allowances could not be independently verified. This was contrary to the requirements of the governing legislation and the Mwongozo Code of Governance for State Corporations, 2015 which requires that each Board Member must have a valid instrument of appointment or appointment letter issued by the designated appointing authority.

In the circumstances, regularity and legitimacy of the affected board members could not be confirmed.

3. Irregular Convening of Board Meetings Without Approval

Note 12 to the financial statements reflects board of management expenses amount of Kshs.15,735,035. Review of board notices, attendance registers, and minutes revealed that the full Board held twelve (12) meetings during the year. However, approval from the Cabinet Secretary was obtained for only one (1) special meeting held to facilitate the recruitment of the Chief Executive Officer (C.E.O). Further, these meetings had not been included in the annual workplan for the Board for the year under review.

In the circumstances, proper corporate governance and legality of unapproved meetings by the board could not be confirmed.

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 the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Institute's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Management is aware of the intention to terminate the Institute or to cease its operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Institute'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.

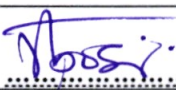
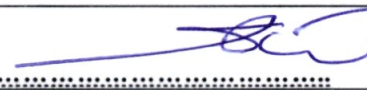
Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

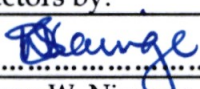
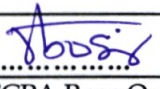
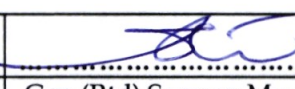
Nairobi

17 December, 2025

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

STATEMENT OF FINANCIAL PERFORMANCE			
FOR THE PERIOD ENDED 30TH JUNE 2025			
	Notes	2024-2025	2023-2024
		Period Ended	Period Ended
		30/June/25	30/June/24
		Kshs.	Kshs.
REVENUE			
Revenue from non-exchange transactions			
Government Grants	6	1,653,548,481	1,792,775,063
External Grant for Research	7	112,398,725	81,305,619
Deferred Income from Donors	8(b)	15,591,576	16,766,435
Revenue from exchange transactions:			
Other income	9	79,452,737	121,160,995
TOTAL REVENUE		1,860,991,519	2,012,008,112
EXPENSES			
Employee Costs	10	(1,275,173,724)	(1,190,955,571)
Operating Expenses	11	(568,997,555)	(740,799,730)
Board of Management Expenses	12	(15,735,035)	(21,864,902)
Establishment costs(Sinking fund)	13(b)	(3,500,000)	(5,000,000)
Depreciation	8(b)	(89,973,635)	(71,577,731)
Amortization on Intangible Asset	14	(1,497,181)	(1,548,402)
TOTAL EXPENSES		(1,954,877,130)	(2,031,746,336)
OTHER GAINS/(LOSSES)			
Exchange Gain/(Loss)	15	69,825	(1,013,926)
Provision for Doubtful Debts	4(a)	(7,690,447)	-
		(7,620,622)	(1,013,926)
Surplus/(Deficit)		(101,506,234)	(20,752,150)
The notes set out on pages 7-52 form an integral part of these Financial Statements. The financial statement set out in page 1-5 were signed on behalf of the board of directors by:			
			
Dr. Jane W. Njuguna Director KEFRI	FCPA Rose Osoro Deputy Director F & A ICPAK No.:4555	Gen (Rtd) Samson Mwathethe Chairman: KEFRI Board of Directors	
Date : 04/12/2025	Date : 04/12/2025	Date : 04/12/2025	

15. Statement of Financial Position as at 30 June 2025

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2025			
ASSETS	Notes	2024-2025	2023-2024
		Period Ended	Period Ended
		30/Jun/25	30/Jun/24
		Kshs.	Kshs.
CURRENT ASSETS			
Cash and cash equivalents	16(a)	155,524,644	396,175,457
Receivables from exchange transactions	17(a)	5,068,879	30,221,725
Receivables from non- exchange transactions	17(b)	2,311,907	11,179,242
Receivables from State Department of Forestry	17(c)	208,250,000	254,160,133
Prepayments	17(d)	36,050,333	28,584,398
Inventories	18	139,571,572	134,068,326
Total Current Assets		546,777,335	854,389,282
NON-CURRENT ASSETS			
Property, Plant & Equipment	8(b)	6,048,775,929	5,935,149,925
Intangible Assets	14	5,988,724	6,193,606
Receivables from exchange transactions	17(a)	4,205,616	-
Total Non-Current Assets		6,058,970,268	5,941,343,531
TOTAL ASSETS		6,605,747,603	6,795,732,813
LIABILITIES			
CURRENT LIABILITIES			
Payables from exchange transactions	19(a)	64,235,983	7,473,554
Payables from non-exchange transactions	19(b)	1,323,821	548,215
Auditor General- accrued audit fee	19(c)	660,000	660,000
Commissioner of VAT- Accrued VAT	19(d)	-	95,560,206
Medical Scheme Funds	20	-	345,205
Unexpended External Donor Grants	7	32,173,220	56,969,217
Total Current Liabilities		98,393,024	161,556,397
NET ASSETS			
Government Grants for capital assets	21(a)	1,734,239,944	1,772,788,425
Deferred Income on Donated Assets	8(b)	444,001,988	459,593,563
Sinking Fund	13(b)	47,989,931	44,490,996
Revaluation Reserves	21(b)	4,467,199,488	4,467,199,488
Revenue Reserves	21(e)	(186,076,772)	(109,896,056)
Total Net Assets		6,507,354,579	6,634,176,416
TOTAL NET ASSETS & LIABILITIES		6,605,747,603	6,795,732,813
The financial statements set out in pages 1 to 5 were signed on behalf of the Board of Directors by:			
			
Dr. Jane W. Njuguna Director KEFRI	FCPA Rose Osoro Deputy Director F & A ICPAK	Gen (Rtd) Samson Mwathethe Chairman: KEFRI Board of Directors	
Date: 04/12/2025	No.:4555	Date: 04/12/2025	

Kenya Forestry Research Institute

Annual Report and Financial Statements for the Year Ended June 30, 2025.

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

Description	Government Grants for Capital Assets Kshs	Deferred Income on Donated Assets Kshs	Revenue Reserves Kshs.	Revaluation Reserves Kshs	Sinking Fund Kshs.	Total Kshs.
Balance as at 1st July 2023	1,598,716,690	476,359,998	(89,143,906)	4,467,199,488	39,492,061	6,492,624,332
As restated	1,598,716,690	476,359,998	(89,143,906)	4,467,199,488	39,492,061	6,492,624,332
Surplus/(Deficit) for the year	-		(20,752,150)			(20,752,150)
Sinking Fund expenses					(1,065)	(1,065)
Additions during the year	272,076,800				5,000,000	277,076,800
To Income & Expenditure	(98,005,065)					(98,005,065)
Deferred Income for the year	-	(16,766,435)	-	-	-	(16,766,435)
Balance as at 30th June 2024	1,772,788,425	459,593,563	(109,896,056)	4,467,199,488	44,490,996	6,634,176,417
Balance as at 1st July 2024	1,772,788,425	459,593,563	(109,896,056)	4,467,199,488	44,490,996	6,634,176,417
Surplus/(Deficit) for the year	-		(101,506,234)			(101,506,234)
Prior Year Adjustments-Medical fund			345,205			345,205
Prior Year Adjustments-Accrued VAT			28,748,416			28,748,416
Prior Year Adjustments-Board PAYE			(661,500)			(661,500)
Prior Year Adjustments-NSSF Tier II			(3,106,603)			(3,106,603)
Sinking Fund expenses					(1,065)	(1,065)
Additions during the year	80,000,000				3,500,000	83,500,000
To Income & Expenditure	(118,548,481)					(118,548,481)
Deferred Income for the year	-	(15,591,576)	-	-	-	(15,591,576)
Balance as at 30th June 2025	1,734,239,944	444,001,987	(186,076,772)	4,467,199,488	47,989,931	6,507,354,579

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

		Notes	2024-2025	2023-2024
			Kshs.	Kshs.
Cash Flows from Operating Activities				
Receipts				
Recurrent Grants	6		1,326,750,000	1,498,416,665
Development Grants	6		80,000,000	190,500,000
Donor grants	7		87,532,904	90,072,403
Receivable from GOK			254,160,133	-
Goods & Services Revenue			93,518,066	229,372,475
Insurance Compensations			1,801,213	6,934,884
Salary advance/Inadvance			99,060	-
Total Receipts			<u>1,843,861,376</u>	<u>2,015,296,427</u>
Payments				
Employees Costs(Salaries)	11		(1,272,027,528)	(1,190,407,356)
Operations Costs			(507,949,743)	(708,181,284)
Board Expenses	12		(15,735,035)	(21,864,902)
Board PAYE & NSSF Tier II for FY 2023/ 2024			(3,768,103)	-
Refund to donor			-	(4,417,071)
Staff outstanding imprest	17(b)		(2,180,500)	(11,080,182)
Staff outstanding Salary advance/Inadvance			(131,407)	(99,060)
Prepaid Motorvehicle, Personal accident Insurance & Building Insurance			(36,050,333)	(28,584,398)
Cash paid to suppliers(Payables)			(3,132,044)	(1,705,727)
Commissioner of VAT Paid			(66,811,790)	-
Staff personal accident compensations			(1,630,801)	(602,755)
Total Payments			<u>(1,909,417,284)</u>	<u>(1,966,942,735)</u>
Net Cash from Operating Activities			<u>(65,555,908)</u>	<u>48,353,692</u>
Cash Flows from Investing Activities:				
Purchase of property, plant, and equipment	8(a)		(173,802,607)	(162,085,144)
Purchase of Intangible asset	14		(1,292,298)	-
Net Cash from Investing activities			<u>(175,094,905)</u>	<u>(162,085,144)</u>
Net increase in cash and cash equivalents			(240,650,813)	(113,731,453)
Cash and cash equivalents at beginning of period	16(a)		<u>396,175,457</u>	<u>509,906,910</u>
Closing Cash and cash equivalents at end of period			<u>155,524,644</u>	<u>396,175,457</u>

Kenya Forestry Research Institute

Annual Report and Financial Statements for the Year Ended June 30, 2025.

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

	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Difference	% of Utilization
	ksh.	ksh.	ksh.	ksh.	ksh.	
Budget Carry Overs from Previous Year	459,192,486		459,192,486	411,849,639	(47,342,847)	90%
Income						
Government Grants :						
Recurrent	1,347,000,000	188,000,000	1,535,000,000	1,326,750,000	(208,250,000)	86%
Development	118,548,481		118,548,481	118,548,481	-	100%
Development Pattners : Research Grants	112,398,725		112,398,725	112,398,725	-	100%
Deferred Income	15,591,576		15,591,576	15,591,576	-	100%
Sale of Forestry Produce	11,468,391		11,468,391	10,980,375	(488,017)	96%
Services Rendered : Hire of Training Facilities	42,980,126		42,980,126	42,503,855	(476,271)	99%
Sale of Tree Seeds	13,037,557		13,037,557	12,369,699	(667,858)	95%
Exchange Gain	69,825		69,825	69,825	(0)	100%
Other Income	13,733,710		13,733,710	13,598,808	(134,902)	99%
Total Income	2,134,020,878	188,000,000	2,322,020,878	2,064,660,982	(257,359,895)	
Expenses						
Compensation of Employees	1,270,675,432	85,600,255	1,356,275,687	1,275,173,724	(81,101,963)	94%
Goods and Services						
Other Operation Expenses	352,180,175	79,721,091	431,901,266	384,297,811	(47,603,455)	89%
Insurance of Property & Motor Vehicles	8,624,918		8,624,918	8,624,918	-	100%
Contracted Professional Services	46,678,986	5,678,654	52,357,640	44,297,947	(8,059,693)	85%
Audit Fee	1,200,000		1,200,000	1,155,247	(44,753)	96%
Repairs & Maintenace Expenses	53,345,678		53,345,678	52,704,419	(641,259)	99%
Research Expense	76,362,566	17,000,000	95,526,986	76,349,750	(17,012,817)	82%
Board Expenses	17,123,456		17,123,456	15,735,035	(1,388,421)	92%
Bank Service Comission and Charges	1,567,464		1,567,464	1,567,464	-	100%
Provision for Bad Debts	7,690,447		7,690,447	7,690,447	-	100%
Establishment Cost (Sinking Fund)	3,500,000		3,500,000	3,500,000	-	100%
Depreciation & Amortization Expenses	91,470,816		91,470,816	91,470,816	-	100%
Total Expenditure	1,930,419,938	188,000,000	2,118,419,938	1,962,567,577	(155,852,361)	
Capital Expenditure Payments	203,599,639		203,599,639	203,599,639	-	
Surplus/(Deficit) for the period	1,300		1,300	(101,506,234)		

Budget notes:

The Institute's Recurrent Budget was enhanced through Supplementary II, with an additional allocation of Kshs. 208,250,000. The funds were disbursed in two tranches received on 3rd July and 10th July 2025. The votes that benefitted from the additional funds were:

Compensation of Employees; Staff salaries & wages, Allowances and Statutory deductions

Operating Expenses; Travelling & Accommodation Expenses, Electricity Expenses, Advertising & Publicity, Fuel & Lubricants Expenses and Security Operations

Research Expenses; Chemicals & Industrial Gases, Workshop Materials, Laboratory Materials, Photographic & Audio-Visual Material and Purchase of Supplies for Production

Contracted Professional Services; Professional Services – Valuation, Contracted Prof. Services- Others, Contracted Prof. Services- Consultancy, Contracted Prof. Services- EMS surveillance Audit and Technical Services

Budget Reconciliation:

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	(101,506,233.81)
1	Receivable from Ministry	208,250,000.00
2	Prepayments	36,050,332.63
3	Deferred Income	(15,591,575.79)
4	Exchange Gain/Loss	(69,824.58)
5	Depreciation and amortization	91,470,816.00
6	Prior Year Adjustment Board PAYE & NSSF Tier II	(3,768,103.00)
7	Trade Payables	(66,219,803.79)
8	Receivables from Exchange transactions	6,909,036.51
	Closing Cash and Cash Equivalent as per the statement of Cash flows	155,524,644.18

19. Notes to the Financial Statements

1: General Information

Kenya Forestry Research Institute (KEFRI) is a state corporation established in 1986, under the Science and Technology Act (Cap 250) of the laws of Kenya, which has since been repealed by Science, Technology and Innovation Act No. 28 of 2013. It is wholly owned by the Government of Kenya and is domiciled in Kenya. The Institute's principal activity is Forestry Research.

2: Statement of Compliance and Basis of Preparation - IPSAS 1 & IPSAS 46

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 judgment in the process of applying the entity's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 2. (s) (i to iii).

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Institute.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations 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 were no new and amended standards issued in the financial year.

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

Standard	Effective Date and Impact:
IPSAS 43: Leases	Applicable 1st January 2025 The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. <i>The Standard has no impact to the Institute as the Institute has no leasing arrangements on its assets.</i>
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. <i>The Standard has no impact to the Institute as the Institute does not have assets held for sale and discontinued operations.</i>
IPSAS 45: Property Plant and Equipment Maintenance of assets	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

Standard	Effective Date and Impact:
	the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets. <i>The standard will have an impact to the Institute as it has infrastructure assets and undertakes valuation & maintenance of assets. Valuation of assets is underway on land and buildings.</i>
IPSAS 46: Measurement	<i>Applicable 1st January 2025</i> The objective of this standard was to improve measurement guidance across IPSAS by: - Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. - Clarifying transaction costs guidance to enhance consistency across IPSAS. - 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. <i>The standard is relevant and have an impact to the Institute</i>
IPSAS 47: Revenue	<i>Applicable 1st January 2026</i> 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. <i>The management is in the process of assessing its impact on the Financial Statement and once completed necessary action will be taken.</i>
IPSAS 48: Transfer Expenses	<i>Applicable 1st January 2026</i> 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.

Standard	Effective Date and Impact:
	<i>The management is in the process of assessing its impact on the Financial Statement and once completed necessary action will be taken.</i>
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. <i>The management is in the process of assessing its impact on the Financial Statement and once completed necessary action will be taken.</i>
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: - Limited improvements to existing accounting practices for exploration and evaluation expenditures. - Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. - Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. <i>The management is in the process of assessing its impact on the Financial Statement and once completed necessary action will be taken.</i>

iii. **Early Adoption of Standards**

The Institute did not early - adopt any new or amended standards in the year 2024/2025.

4. Summary of Significant Accounting Policies

(a) Revenue Recognition - IPSAS 23

i. Revenue from Non-exchange Transactions

Transfers from Government Entities and External Donors

Revenues from non-exchange transactions with 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 Institute 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 realized in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

Development Grants received for specific purposes are treated as capital grants and credited to the statement of financial performance when the activities for which they were provided for have been undertaken. The development grants that are capital in nature are treated as deferred income and recognized as income annually over their useful lives on a reducing balance method. The development grants which are meant for research are expensed within the year received.

Donor/ Projects Grants are treated as deferred income and credited to Income & Expenditure Account to the extent they have been spent, otherwise the unused balance is carried forward as unexpended grants.

ii) Revenue from Exchange Transactions

Sale of Goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Institute. Products offered from intense technological innovations by the Institute include:

- Sale of high-quality tree seeds and seedlings.
- Sale of timber and timber products, including TNGs, laminated items, doors and frames.

Rendering of Services

Services offered by the Institute include:

- Accommodation facilities
- Consultancy in forestry and allied natural resources.
- Provision of laboratory analysis services including; soils, plant and microbial DNA.

4. Summary of Significant Accounting Policies- cont'd

- Conducting tailor-made and demand driven courses in forestry and allied natural resources.
- Timber treatment services including; treatment of poles and timber sawing, drying, grading and testing
- Hire of; Conference facilities, Catering, Audio-visual services, Landscaped gardens for events and Photo Sessions.

b. Budget information: IPSAS 24

The original budget for FY 2024-2025 was approved by the Board of Directors on 21st June 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals to conclude the final budget. The Institute's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on an 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 and the actuals as per the statement of financial performance has been presented under page 5 of these financial statements.

c. Taxes

Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Institute operates and generates taxable income.

4. Summary of Significant Accounting Policies- cont'd

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- ii) When receivables and payables are stated with the amount of sales tax included, the net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d. Property, Plant and Equipment- IPSAS 17

- i) 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 Institute 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.
- ii) The Institute undertakes revaluation of its property (land, buildings and heavy machines including heavy vehicles) after every five years per category of property, plant, and equipment subject to funds availability.
- iii) Depreciation on property, plant and equipment is recognized in the income statement on a reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life.

4. Summary of Significant Accounting Policies- cont'd

The annual rates in use are:

Assets	Rate
Land	-
Buildings	2 ½%
Boreholes, Water Equipment & Plant	12 ½%
Loose Tools	12 ½%
Telephone Equipment, Apparatus & Instruments	12 ½%
Furniture and Fittings	12 ½%
Bicycles	12 ½%
Heavy Vehicles and Tractors	37 ½%
Motorcars and Motorcycles	25%
Computer, Photocopiers, Fax Machines, Calculators and IT Equipment	33 ⅓%
Medical & Dental Equipment	12 ½%

A full year's depreciation charge is recognized both in the year of asset purchase and in the year of asset disposal.

e. Donated Assets - IPSAS 23

Donated Assets are deferred as income and recognized as such annually over their useful lives on a reducing balance method. This is as stipulated by IPSAS 23 for non-exchange revenue. Their useful lives are listed below: -

Assets	Years
Buildings	40
Water Equipment & Plants	8
Loose Tools	8
Telephone Equipment	8
Lab Equipment Apparatus & Electronics	8
Furniture & Fittings	8
Bicycles	8
Heavy Vehicles and Tractors	2.67
Motorcars and Motorcycles	4
Computer, Photocopiers, Fax Machines, Calculators	3
Medical & Dental Equipment	8

4. Summary of Significant Accounting Policies- cont'd

f. Intangible Assets - IPSAS 31

Intangible assets including computer software 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. Amortization is calculated on the reducing balance basis at the rate of 20% over the expected useful life of the intangible assets.

g. Research and development costs

The Institute expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Institute can demonstrate: the technical feasibility of completing the asset so that the asset will be available for use or sale; its intention to complete and its ability to use or sell the asset; how the asset will generate future economic benefits or service potential; the availability of resources to complete the asset; and 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.

h. Financial Instruments

IPSAS 41 addresses the classification, measurement and derecognition 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 **Institute's financial statements**. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

4. Summary of Significant Accounting Policies- cont'd

a). Financial assets

Classification of Financial Assets

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

Subsequent Measurement

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

Amortized Cost

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

Fair Value Through Net Assets/ Equity

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

4. Summary of Significant Accounting Policies- cont'd

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.

Trade and Other Receivables

Trade and other receivables are recognized at their fair value, net of allowances for any amount considered uncollectible. The Institute assesses receivables for impairment on a continuous basis, applying a structured and evidence-based approach to determine the recoverability of outstanding balances.

At the end of each financial year, a comprehensive review of all receivables is conducted to identify doubtful accounts. Impairment provisions are made based on the age and prevailing circumstances of each debt. Debts are written off when they are deemed irrecoverable due to events such as the death of a debtor, mental incapacity, cessation of operations, dissolution, or bankruptcy. Any recoveries from previously written-off debts are recognized as income in the year they are received.

The Institute applies the following impairment/provision rates based on the age of the receivable:

- Less than 1 year: 5% provision
- Between 1-2 years: 20% provision
- Between 2-3 years: 30% provision
- Over 3 years: 100% provision

Receivables from Exchange Transactions**(a) Receivables from Exchange Transactions (Current) Before Provision**

Description	Current FY2024-2025	Comparative FY 2023-2024
	Kshs	Kshs
Receivables		
Service/Trade Debtors	9,242,950.00	19,562,296.15
Water Debtors	2,087,508.00	2,434,565.00
Total Current Receivables	11,330,458.00	21,996,861.15

4. Summary of Significant Accounting Policies- cont'd**(b) Receivables from Exchange Transactions (Non- Current) Before Provision**

Description	Current FY2024-2025	Comparative FY 2023-2024
	Kshs	Kshs
Total receivables		
Service/Trade Debtors	2,429,460.00	6,139,210.00
Water Debtors	3,205,024.00	2,085,654.00
Total non-current receivables	5,634,484.00	8,224,864.00
Total receivables (a+b)	16,964,942.00	30,221,725.15

Provisions for doubtful debts

Aging Analysis	Current FY 2024-2025			
	Amounts of Debts	% rate of provision	Amounts provided for	To the Statement of Financial Position
Less than 1 year	5,335,663	5%	266,783.15	5,068,879.85
Between 1- 2 years	2,953,620	20%	590,724.00	2,362,896.00
Between 2-3 years	2,632,457	30%	789,737.14	1,842,720.00
Over 3 years	6,043,202	100%	6,043,201.86	-
Total	16,964,942		7,690,446.15	9,274,495.85

Breakdown of Debtors Provided for:

Particulars/Descriptions	Sum of Total Provisions	To Balance Sheet
Water Debtors	3,571,578.65	1,720,953.35
Kenya Forest Service	110,440.00	255,360.00
Plan International - Kilifi	72,250.00	-
Food And Agriculture Organization	164,000.00	-
ICRAF	232,580.00	682,270.00
World Vision	2,523.00	47,927.00
Commerce Equitable Afrique Fair Trade	1,000.00	4,000.00
Egerton university	13,500.00	31,500.00
K.W.C.A	22,000.00	-
Meru Univercity	24,000.00	-
Northern Rangeland Trust Fund	13,360.00	53,840.00
ORPOWER 4 INC.- Naivasha	22,950.00	53,550.00

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Sotik Tea Factory Ltd.	14,625.00	39,125.00
Wetlands International	3,750.00	71,250.00
Kitui County Government	292,890.00	2,220,410.00
NEMA	11,000.00	-
Child Fund	45,250.00	47,250.00
Resilience	51,040.00	-
Baringo County	671,125.00	1,520,925.00
Turkwel cip	30,200.00	-
GIZ	172,700.00	-
ILRI	33,900.00	-
I.E.B.C	122,000.00	-
Kenya Red Cross Society- Bomet	64,000.00	124,000.00
Maria Loreta	50,920.00	-
Folt	137,500.00	-
IRC	121,600.00	50,400.00
UN-sos	70,400.00	-
One Acre Fund	313,250.00	-
County Assembly of Turkana	121,500.00	193,500.00
Hand In Hand Estern Africa	58,500.00	-
SAPCOME	181,500.00	-
ADS North rift	66,000.00	-
Turkana Veterinerines	35,000.00	-
Towertech	58,450.00	-
Kengen	100,250.00	1,004,750.00
Cookswell Jikos	128,000.00	-
KERRA	16,250.00	308,750.00
ACTED	20,000.00	-
Micro and Small Enterprises Authority	100,000.00	-
Legal Resource Centre	133,880.00	123,320.00
CARITAS	38,540.00	47,260.00
REREC/KEFRI	21,000.00	49,000.00
APAD LODWAR	25,000.00	-
King Foundation	21,510.00	50,190.00
Turkana University	45,360.00	150,840.00
KEMSFED	19,800.00	79,200.00
International Union of Conservation	8,000.00	152,000.00
KELCOP	3,375.00	64,125.00
Ministry of Housing	32,200.00	128,800.00
Total	7,690,446.65	9,274,495.35

4. Summary of Significant Accounting Policies- cont'd**Receivables from Exchange Transactions (Current) After Provision**

Description	Current FY 2024-2025	Comparative FY 2023-2024
	Kshs	Kshs
Receivables		
Service/Trade Debtors	4,335,182.00	19,562,296.15
Water Debtors	733,697.35	2,434,565.00
Total Current Receivables	5,068,879.35	21,996,861.15

Receivables from Exchange Transactions (Non-Current) After Provision

Description	Current FY 2024-2025	Comparative FY 2023-2024
	Kshs	Kshs
Total Receivables		
Service/Trade Debtors	3,218,360.00	6,139,210.00
Water Debtors	987,256	2,085,654.00
Total non-current receivables	4,205,616.00	8,224,864.00
Total receivables (a+b)	9,274,495.35	30,221,725.15

Ageing Analysis for Receivables from Exchange Transactions

Description	Current FY 2024-2025 Kshs	% of the Total	Comparative FY 2023-2024 Kshs	% of the Total
Less than 1 year	5,068,879.35	54%	2,121,436.00	7%
Between 1- 2 years	2,362,896.00	26%	12,003,594.15	40%
Between 2-3 years	1,842,720.00	20%	7,522,920.00	25%
Over 3 years	-	0%	8,573,775.00	28%
Total (a+b)	9,274,495.35	100%	30,221,725.15	100%

Reconciliation for Impairment Allowance on Receivables from Exchange Transactions

Description	Comparative FY 2023-2024 Kshs	Insert Comparative FY Kshs
At the beginning of the year	-	-
Additional provisions during the year		
- Current Assets	266,783.65	-
- Non- Current Assets	7, 423,663.00	-
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	7,690,446.65	-

4. Summary of Significant Accounting Policies- cont'd

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.

b). Financial liabilities

Classification

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

Trade payables

Trade payables are not interest bearing and are stated at their fair value.

i. Inventories - IPSAS 12

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:

- Raw materials: purchase cost
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity

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 the Institute.

The Institute's Forests Plantations are for research (experimental) and not for commercial purposes. They are therefore disposed of after the end of the experiment. The change in forest plantation value within the year is taken as cost of sale less estimated cost of completion that includes purchase of research materials, supplies for production and labour cost.

4. Summary of Significant Accounting Policies- cont'd

Seed & Seedlings: The change in the seed and seedlings within the year is taken as cost of sale and netted to production cost which includes seed collection, processing, and distribution, and potting and maintenance of tree nurseries.

j. Contingent Liabilities: IPSAS 19

The Institute 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.

k. Contingent assets: IPSAS 19

The Institute 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 Institute 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.**

l. Changes in accounting policies and estimates

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

m. Employees Benefit: IPSAS 25

Retirement benefit plans

The Institute provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and 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 Institute operates a Defined Contribution Retirement Scheme for all its employees on permanent and pensionable terms. The assets of the scheme are held in a separate trustee fund which is administered by the scheme's trustees. It is funded by contributions from both the Institute (sponsor) and employees.

4. Summary of Significant Accounting Policies- cont'd

The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

n. Foreign Currency Transaction

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.

During the year, transactions in foreign currencies were converted into the functional currency i.e. Kshs using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from such transactions are recognized as such in the year of the transactions.

o. Cash and Cash Equivalent

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

For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers which were not surrendered or accounted for at the end of the financial year.

p. Related Parties

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

q. Comparative Figures

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

4. Summary of Significant Accounting Policies- cont'd

r. Subsequent Events: IPSAS 14

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.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Institute's financial statements in conformity with IPSA 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.

Judgments

In the process of applying the Institute's accounting policies, management has made judgments, which have the most significant effect on the amounts recognized in the financial statements.

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 Institute 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 Institute. 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:

- i) The condition of the asset is based on the assessment of experts employed by the Institute.
- 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.

Provisions: IPSAS 19

Provisions are recognized when the Institute has a present obligation (legal or constructive) because 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.

5. Significant Judgments and Sources of Estimation Uncertainty- Cont'd

Where the Institute expects some or all 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.

Financial Risk Management: IPSAS 30

The Institute Funds' activities expose it to a variety of financial risks including credit and liquidity risks and the 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 minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Institute 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 Institute's financial risk management objectives and policies are detailed below:

i) Credit risk

The Institute 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 Institute's management based on prior experience and their assessment of the current economic environment.

Financial Risk Management

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

Description	Total Amount Kshs	Fully Performing Kshs	Past Due Kshs
As at 30th June 2025			
Receivables from exchange transactions	9,274,495	9,274,495	-
Receivables from State Department of Forestry	208,250,000.00	208,250,000.00	-

Receivables from non-exchange transactions	2,311,906.70	2,311,906.70	-
Bank balances	155,524,644.18	155,524,644.18	-
Total	375,361,046	375,361,046	-
As at 30th June 2024			
Receivables from exchange transactions	58,806,123.45	48,494,515.45	10,311,608.00
Receivables from State Department of Forestry	254,160,133.00	254,160,133.00	-
Receivables from non-exchange transactions	11,179,242.00	11,179,242.00	-
Bank balances	396,175,457.00	396,175,457.00	-
Total	720,320,955.45	710,009,347.45	10,311,608.00

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Institute has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The Institute has a significant concentration of credit risk on amounts due from Receivables from exchange transactions. The board of directors sets the Institute's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity Risk Management

Liquidity risk is the risk that the Institute will not be able to meet its financial obligations when they fall due. Ultimate responsibility for liquidity risk management rests with the Institute's Board of Management, who have built an appropriate liquidity risk management framework for the management of the Institute's short, medium and long-term funding and liquidity management requirements. The Institute manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below provides a contractual maturity analysis of the Institute's financial liabilities:

Liquidity Risk Management			
Description	Less than 1 Month Kshs	Between 1-3 Months Kshs	Over 5 Months Kshs
As at 30th June 2025			
Trade payables	-	39,220,902.48	22,644,490.31
Auditor General	660,000.00	-	-
Payables from non exchange(BTL)	3,694,411.00	-	-
Unexpended External Donor Grant(Deferred Income)	-	-	32,173,220.06

Total	4,354,411.00	39,220,902.48	54,817,710.37
As at 30th June 2024			
Trade payables	-	7,473,554.00	-
Auditor General	660,000.00	-	-
Payables from non exchange(BTL)	548,215.00	-	-
Unexpended External Donor Grant(Deferred Income)	-	-	56,969,216.79
Medical Scheme Fund	-	-	345,205.00
Commissioner of VAT	-	-	95,560,206.00
Total	1,208,215.00	7,473,554.00	152,874,627.79

iii) Market risk

The Institute has put in place an internal audit function to assist it in assessing the risk faced by the Entity 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 Institute'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 optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Institute's Internal Audit and Finance Departments are responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

There has been no change to the Institute's exposure to market risks or the way it manages and measures the risk.

- Foreign Currency Risk**

The Institute has transactional currency exposures. Such exposure arises through purchases of goods and services that are made in currencies other than the local currency. Invoices denominated in foreign currencies are paid 30 days after the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The carrying amount of the Institute's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

At 30th June 2024	Euro - Rate Ksh.142.329	Ksh	Dollar- Rate Ksh.131.8	Kshs
Financial Assets - Cash	8,227	1,170,944	62,826	8,280,481

At 30th June 2025	Euro - Rate Ksh.139.51	Ksh	Dollar- Rate Ksh.129.32	Kshs
Financial Assets - Cash	2,822	427,956	53,427	6,909,179.64

The Institute manages foreign exchange risk from future commercial transactions and recognizes assets and liabilities by projecting expected sales proceeds and matching the same with expected payments.

- **Interest Rate Risk**

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

Management of Interest Rate Risk

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

iv). Capital Risk Management

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

	2024-2025 Kshs.	2023-2024 Kshs.
Revaluation Reserve	4,467,199,488	4,467,199,488
Retained Earnings	(101,506,234)	(20,752,150)
Capital Reserve	1,734,239,944	1,772,788,425
Total Funds	<u>6,099,933,199</u>	<u>6,219,235,763</u>

v) Sinking Fund

The Institute's Management shall establish a Sinking Fund account for the replacement of worn-out fixed assets in future. The amount to be contributed every year for this purpose shall be determined by the availability of funds.

w) Ultimate and Holding Entity

The Institute is a State Corporation under the Ministry of Environment, Climate Change and Forestry. Its ultimate parent is the Government of Kenya.

x) Currency

The financial statements are presented in Kenya Shillings which is the functional and reporting currency of the Institute, and all values are rounded to the nearest Shilling.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE 2025

6. Transfers from Other Government Entities

Description	Note	2024-2025 Period Ended 30/Jun/25 Kshs.	2023-2024 Period Ended 30/Jun/24 Kshs.
Unconditional Grants			
Recurrent Grants		1,535,000,000	1,670,999,998
Unconditional Development Grants		118,548,481	98,005,065
Other Grants		-	23,770,000
Totals		<u>1,653,548,481</u>	<u>1,792,775,063</u>

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Note 7: External Donor Grants for Research 2024/2025

	Various Projects (KSHS)	US DOLLAR (KSHS)	EURO A/C (KSHS)	BAMBOO PROJECT (KSHS)	GIZ PROJECT - LODWAR (KSHS)	KEFRI/ REGIONAL TRAINING (KSHS)	KENYA WaTER TOWERS PROJECT HQTS (KSHS)	ADAPTATION FUND PROJECT (KSHS)	COMMERCIAL FORESTRY (KSHS)	TOTAL (KSHS)
Balance b/f 1st July 2024	42,970,331	8,280,481	1,170,941	347,704	2,046	1,085,075	8,336	2,814	3,101,489	56,969,217
Adjustment										
Received during the Year	67,786,710	10,925,988	8,820,206	-	-	-	-	-	-	87,532,904
Inter account transfers(Money Received)	5,128,452									5,128,452
Inter account transfers(Money paid)		(5,128,452)		-	-	-	-	-	-	(5,128,452)
Transfer from Dollar A/C	6,643,200	(6,643,200)	-	-	-	-	-	-	-	-
Transfer from Euro A/C	2,398,760		(2,398,760)	-	-	-	-	-	-	-
Available during the Year	124,927,453	7,434,817	7,592,387	347,704	2,046	1,085,075	8,336	2,814	3,101,489	144,502,121
Spent during the Year	(109,838,000.85)	(4,180.44)	(3,099.52)	(91,065.00)	-	(479,358.00)	(8,336)	(2,814)	(1,971,872)	(112,398,725)
Adjustment-Exchange gain	-	(163,870.89)	233,695.47	-	-	-	-	-	-	69,825
Balance c/f as at 30th June 2025	<u>15,089,452</u>	<u>7,266,766</u>	<u>7,822,983</u>	<u>256,639</u>	<u>2,046</u>	<u>605,717</u>	<u>0</u>	<u>(0)</u>	<u>1,129,617</u>	<u>32,173,220</u>

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Note 8 (a) Fixed Assets Schedule As At 30 June 2024

(a) Depreciation														
ACCOUNT	3130101	3110201	3110502	3111113	3111004	3111107	3110901	3110704	3110705	3110701	1310	3111101	3110209	
COST/ VALUATION	LAND	BUILDINGS	WATER EQUIP & PLANTS	LOOSE TOOLS	TELEPHONE EQUIP	LAB. EQUIP APPARATUS & ELECT. EQUIP.	FURNITURE AND FITTINGS	BICYCLES	HEAVY VEHICLE AND TRACTORS	MOTOR CARS & CYCLES	COMPUTER S OFFICE AND ICT EQUIPMENT	MEDICAL & DENTAL EQUIP.	WORK-IN- PROGRESS	TOTAL
	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)
As at 1st July 2023	4,123,385,000	2,176,580,479	72,227,655	4,904,89	9,084,397	361,882,810	116,624,450	177,430	44,036,346	352,755,863	262,208,107	36,317	79,767,342	7,603,671,087
Acquisition during the Year		246,400	221,676	233,600	217,472	519,100	1,957,720				5,109,437		153,579,739	162,085,144
Transfer to completed buildings													(246,400)	(246,400)
As at 30th June 2024	4,123,385,000	2,176,826,879	72,449,331	5,138,491	9,301,869	362,401,910	118,582,170	177,430	44,036,346	352,755,863	267,317,544	36,317	233,100,681	7,765,509,831
Depreciation														
As at 1st July 2023	-	707,853,119	55,408,504	4,169,153	7,744,254	295,893,181	100,727,720	172,834	42,885,357	305,198,671	238,697,259	32,123	-	1,758,782,175
Charge for the Year	-	36,724,344	2,130,103	121,167	194,702	8,313,591	2,231,806	574	431,621	11,889,298	9,540,000	524	-	71,577,731
As at 30th June 2024	-	744,577,463	57,538,607	4,290,320	7,938,956	304,206,773	102,959,526	173,409	43,316,978	317,087,969	248,237,259	32,648	-	1,830,359,906
Net Book Value														
As at 30th June 2024	4,123,385,000	1,432,249,416	14,910,724	848,171	1,362,913	58,195,137	15,622,644	4,021	719,368	35,667,894	19,080,285	3,669	233,100,681	5,935,149,925
As at 30th June 2023	4,123,385,000	1,468,727,360	16,819,151	735,738	1,340,143	65,989,629	15,896,730	4,596	1,150,989	47,557,192	23,510,848	4,194	79,767,342	5,844,888,912
8(b): Deferred Income Schedule on Donated Assets (See Note 21 (a) (ii)														
Donated Assets														
As at 1st July 2023	-	434,386,077	2,736,017	13,204	31,172	32,608,693	1,300,107	4,714	114	5,279,584	317	-	-	476,359,998
Deferred Income	-	434,386,077	2,736,017	13,204	31,172	32,608,693	1,300,107	4,714	114	5,279,584	317			476,359,998
To Income & expenditure for the year	-	10,859,652	342,002	1,650	3,896	4,076,087	162,513	589	43	1,319,896	106			16,766,435
As at 30th June 2024	-	423,526,425	2,394,015	11,553	27,275	28,532,606	1,137,594	4,125	71	3,959,688	212			459,593,563

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Note 8 (b) Fixed Assets Schedule As At 30 June 2025

(a) Depreciation														
ACCOUNT	3130101	3110201	3110502	311111	3111004	3111107	3110901	3110704	3110705	3110701	3111002	311101	3110209	
COST/ VALUATION	LAND	BUILDINGS	WATER EQUIP & PLANTS	LOOSE TOOLS	TELEPHONE EQUIP	LAB. EQUIP APPARATUS & ELECT. EQUIP.	FURNITURE AND FITTINGS	BICYCLES	HEAVY VEHICLE AND TRACTORS	MOTOR CARS & CYCLES	COMPUTER S OFFICE AND ICT EQUIPMENTS	MEDICAL & DENTAL EQUIP.	WORK-IN- PROGRESS	TOTAL
	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)
As at 1st July 2024	4,123,385,000	2,176,826,879	72,449,331	5,138,491	9,301,869	362,401,910	118,582,170	177,430	44,036,346	352,755,863	267,317,544	36,317	233,100,681	7,765,509,831
Acquisition during the Year			3,629,826			6,363,548	9,690,068		9,449,000	51,080,160	14,907,863		108,479,174	203,599,639
Transfer to completed buildings		140,365,534											(140,365,534)	0
As at 30th June 2025	4,123,385,000	2,317,192,412	76,079,157	5,138,491	9,301,869	368,765,458	128,272,238	177,430	53,485,346	403,836,023	282,225,407	36,317	201,214,322	7,969,109,470
Depreciation														
As at 1st July 2024	-	744,577,463	57,538,607	4,290,320	7,938,956	304,206,773	102,959,526	173,409	43,316,978	317,087,969	248,237,259	32,648	-	1,830,359,906
Charge for the Year	-	39,315,374	2,317,569	106,021	170,364	8,069,836	3,164,089	503	3,813,138	21,687,014	11,329,269	459	-	89,973,635
As at 30th June 2025	-	783,892,836	59,856,176	4,396,341	8,109,320	312,276,608	106,123,615	173,911	47,130,116	338,774,982	259,566,528	33,106	-	1,920,333,541
Net Book Value														
As at 30th June 2025	4,123,385,000	1,533,299,576	16,222,981	742,150	1,192,549	56,488,850	22,148,623	3,519	6,355,230	65,061,041	22,658,879	3,211	201,214,322	6,048,775,925
As at 30th June 2024	4,123,385,000	1,432,249,416	14,910,724	848,171	1,362,913	58,195,137	15,622,644	4,021	719,368	35,667,894	19,080,285	3,669	233,100,681	5,935,149,925
8(b): Deferred Income Schedule on Donated Assets (See Note 21 (a) (ii)														
Donated Assets														
As at 1st July 2024	-	423,526,425	2,394,015	11,553	27,275	28,532,606	1,137,594	4,125	71	3,959,688	212	-	-	459,593,563
Deferred Income	-	423,526,425	2,394,015	11,553	27,275	28,532,606	1,137,594	4,125	71	3,959,688	212	-	-	459,593,563
To Income & expenditure for the year	-	10,588,161	299,251.82	1,444.14	3,409.39	3,566,575.79	142,199.24	515.58	27	989,921.95	70.52	-	-	15,591,576
As at 30th June 2025	-	412,938,264	2,094,763	10,109	23,866	24,966,030	995,395	3,609	45	2,969,766	141	-	-	444,001,988

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE 2025 (Continued)

NOTE 9: OTHER INCOME	Note	2024-2025 Period Ended 30/Jun/25 Kshs.	2023-2024 Period Ended 30/Jun/24 Kshs.
Sale of Forestry Produce	9(a)	23,350,074	31,154,123
Other Income and Hire of Grounds		554,057	721,921
Nominal Income (Rent, Water & Electricity)		9,080,311	9,986,171
Surcharges		198,237	250,000
Commission Income		221,234	206,887
Bus Charges (Income)		719,353	794,437
Sale of stores		-	-
Hire of KEFRI Facilities	9(b)	42,503,855	76,651,323
Lab Analysis	9(c)	1,812,425	1,170,790
Clinic Revenue		<u>1,013,191</u>	<u>225,344</u>
Totals		<u>79,452,737</u>	<u>121,160,996</u>
NOTE 9(a): ANALYSIS OF FOREST PRODUCE INCOME			
Sale of Forestry Produce		2,191,404	3,583,337
Sale of Seeds		12,369,699	15,027,924
Karura Revenue		2,333,000	2,369,090
Londiani Income		1,101,531	1,687,143
Gede Income		830,345	1,049,240
Turbo Income		1,085,715	817,656
Kibwezi Income		1,457,340	1,816,313
Kakamega Revenue		577,295	474,855
Nyeri Income		555,465	3,444,354
Kuja River Revenue		-	15,710
Ramogi Revenue		62,900	109,550
Garissa Revenue		163,740	40,460
Migori Revenue		493,820	483,171
Taita Taveta Revenue		<u>127,820</u>	<u>235,320</u>
Total		<u>23,350,074</u>	<u>31,154,123</u>
NOTE 9(b): HIRE OF TRAINING FACILITIES			
Hire of Training Facilities		5,208,031	19,538,175
Kitui Revenue		15,727,700	18,423,021
Lamu Revenue		5,516,020	10,462,996
Lodwar Revenue		1,924,560	2,965,767
Marigat Revenue		8,352,867	15,611,670
KEFRI House Income		<u>5,774,677</u>	<u>9,649,693</u>
Total		<u>42,503,855</u>	<u>76,651,322</u>
NOTE 9(c): LAB ANALYSIS			
Maseno Revenue		1,262,460	990,425
Muguga Laboratory Revenue		<u>549,965</u>	<u>180,365</u>
Total		<u>1,812,425</u>	<u>1,170,790</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE 2025 (Continued)			
NOTE 10: EMPLOYEE COSTS	Note	2024-2025 Period Ended 30/Jun/25 Kshs.	2023-2024 Period Ended 30/Jun/24 Kshs.
Salaries and Wages	10(a)	695,198,361	683,686,817
Gratuity Costs		29,403,563	9,467,584
Staff Pension Cost/ Administration Costs	10(b)	156,195,600	142,279,634
House Allowances		179,582,886	143,416,811
Medical Allowance N/A		24,213	27,000
Other Personal Allowances	10(c)	116,271,238	107,681,618
Refund of Medical Expenses - Exgratia		65,000	282,951
Leave and passage expenses		5,606,000	4,850,750
Transfer Expenses		1,950,364	1,968,593
Group Life Insurance Premium		4,954,369	4,661,573
Group Personal Accident Premium		877,791	818,374
Group Personal Accident Premium-Casuals		-	229,303
Medical Insurance Cover for Staff		<u>85,044,338</u>	<u>91,584,563</u>
Total		<u>1,275,173,724</u>	<u>1,190,955,571</u>
NOTE 10(a): SALARIES & WAGES			
Basic Salaries		651,308,869	643,945,500
Casual Labour		<u>43,889,492</u>	<u>39,741,317</u>
Total		<u>695,198,361</u>	<u>683,686,817</u>
Total Number of Employees as at the end of the period		865	855
NOTE 10(b): STAFF PENSION COST			
Pension Employer Cost		111,940,351	117,137,921
Housing Levy -Employer		13,996,324	13,142,413
NSSF Employer		11,883,144	11,999,300
NSSF Tier 2		<u>18,375,781</u>	=
Total		<u>156,195,600</u>	<u>142,279,634</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE 2025 (Continued)			
NOTE 10(c): OTHER ALLOWANCES	Note	2024-2025 Period Ended 30/Jun/25 Kshs.	2023-2024 Period Ended 30/Jun/24 Kshs.
Acting Allowance		2,324,265	1,690,440
Hardship Allowance		15,914,779	11,593,282
Special Duty Allowance		1,131,219	1,051,333
Incentive Allowance		10,201,507	7,675,555
Entertainment Allowance		4,848,396	5,818,843
Responsibility Allowance		9,175,478	9,643,523
Other Allowances		4,838,512	15,291,810
Risk Allowances		3,207,364	2,971,270
Commuter Allowance		64,629,720	51,945,562
Total		116,271,238	107,681,618
NOTE 11: OPERATING EXPENSES			
Electricity Expenses		30,815,996	32,261,372
Water & Conservancy		4,249,332	2,749,777
Telephone, Telex & Mobile Phone		1,043,586	1,253,175
Internet Costs		8,886,777	19,074,796
Postal Courier & Telegrams		500,968	496,636
Travelling & Accommodation Expenses		172,773,781	146,438,192
External Travelling Costs		2,083,696	9,514,899
Printing & Publishing		674,052	2,315,766
Subscription, Newspapers & Periodicals		541,229	770,416
Advertising & Publicity		10,855,463	10,835,880
Trade Show and Exhibitions		2,357,403	4,815,981
Training Expenses		5,488,354	3,710,985
Cost of Conference & Seminars- Others		6,007,544	4,139,572
Purchase of Coffin		772,970	587,159
Insurance of Motor Vehicles		5,355,740	5,421,586
Insurance of buildings & Equipment		3,269,178	3,441,033
Supplies of medical Drugs		742,082	1,743,059
Supplies of Dressings		347,036	475,450
Fungicides & Insecticides		721,492	504,503
Purchase of Utensils and Cutlery		242,022	753,802
Purchase of Research Materials	11(a)	3,750,167	2,715,297
Education and Library Supplies		47,827	60,000
Food & Ration		35,501,505	42,940,742
Staff Uniform Expenses		3,819,891	3,373,932
Purchase of Supplies for Production		72,599,583	97,699,388
Stationery Expenses		4,964,997	2,866,124

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NOTE 11: OPERATING EXPENSES (Continued)	Note	2024-2025 Period Ended 30/Jun/25 Kshs.	2023-2024 Period Ended 30/Jun/24 Kshs.
Computer Expenses		6,208,490	5,537,775
Sanitary & Cleaning Material		2,293,749	3,188,970
Fuel & Lubricants Expenses	11(b)	45,466,636	55,356,401
Bank Charges	11(c)	1,567,464	737,728
Membership Fees to Statutory Organization		7,349,703	5,079,048
Legal Dues, Arbitration and Compensation		4,570,710	57,480,360
Contracted Professional Services	11(d)	44,297,947	37,738,332
Audit Fees		1,155,247	937,347
Security Operations		24,503,662	22,941,714
Maintenance Expenses	11(e)	52,704,419	52,253,560
Land Rent & Rates		303,474	409,566
Income Tax & VAT	11(f)	77,986	98,069,410
Donations		95,000	110,000
Total Operating Expenses		<u>568,997,555</u>	<u>740,799,730</u>
NOTE 11(a): PURCHASE OF RESEARCH MATERIALS			
Chemicals & Industrial Gases		1,302,816	1,262,616
Workshop Materials		316,304	170,573
Laboratory Materials		1,024,568	1,210,933
Photographic & Audio Visual Material		1,106,479	71,175
Total		<u>3,750,167</u>	<u>2,715,297</u>
NOTE 11(b): FUEL EXPENSES			
Fuel & Lubricants Expenses		40,872,777	50,722,901
Other Fuels (wood, charcoal, gas etc.)		1,654,382	1,459,397
Fuel for Generators		2,939,477	3,174,103
Total		<u>45,466,636</u>	<u>55,356,401</u>
NOTE 11(c): BANK CHARGES			
Recurrent		220,366	236,380
Development		37,631	24,431
Various Projects		12,235	18,495
Sinking Fund		1,065	1,065
Gold Plus Savings		240	-
Gold Plus Revenue		1,235,339	402,689
KEFRI US Dollar Account		4,180	1,778
EURO A/C		3,100	11,101
BAMBOO PROJECT		1,065	1,886
GIZ PROJECT LODWAR		-	2,059
KEFRI/REGIONAL TRAINING		7,838	3,420
KENYA WaTER TOWERS - HQTS		8,336	-
ADAPTATION FUND PROJECT		2,814	1,065
KEFRI COMMERCIAL FORESTRY		4,757	1,328
KEFRI ENTERPRISE		28,499	32,031
Totals		<u>1,567,464</u>	<u>737,728</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE 2025 (Continued)			
NOTE 11(d): CONTRACTED PROFESSIONAL SERVICES	Note	2024-2025 Period Ended 30/Jun/25 Kshs.	2023-2024 Period Ended 30/Jun/24 Kshs.
Contracted Professional Services - Valuation		457,433	859,100
Contracted Prof. Services- Others		14,400,029	16,515,644
Contracted Prof. Services- Consultancy		3,655,674	1,588,956
Contracted Prof. Services- EMS Audit		2,176,153	1,473,908
Technical Services		<u>23,608,658</u>	<u>17,300,724</u>
Total		<u>44,297,947</u>	<u>37,738,332</u>
NOTE 11(e): MAINTENANCE EXPENSES			
Vehicle Maintenance Expenses		24,390,558	32,344,059
Maintenance of Plant & Equipment		4,815,249	1,815,122
Maintenance of Furniture		655,466	408,013
Maintenance of Buildings - Residential		10,204,490	1,033,692
Maintenance of Buildings & Stations		5,607,812	11,660,167
Maintenance of Roads		803,745	2,157,776
Minor Alterations		198,286	306,974
Maintenance of Computer Software		4,628,750	2,048,675
Maintenance of Water Supplies & Sewage		<u>1,400,063</u>	<u>479,082</u>
Total		<u>52,704,419</u>	<u>52,253,560</u>
NOTE 11(f) INCOME TAX & VAT			
Comm. VAT (FY 2014/2015 to 2023/2024)		77,986	95,560,206
Income Tax (From FY 2014/2015 to 2016/2017)		=	<u>2,509,204</u>
		<u>77,986</u>	<u>98,069,410</u>
NOTE 12: BOARD OF MANAGEMENT EXPENSES			
Board Costs		14,730,881	19,753,967
Board Conferences		216,670	1,487,949
Medical Insurance Cover for Board Members		<u>787,484</u>	<u>622,986</u>
Total		<u>15,735,035</u>	<u>21,864,902</u>
NOTE 13: SINKING FUND	Note	Kshs.	Kshs.
NOTE 13(a): Transfer to Sinking Fund			
The Establishment cost relates to the contributions for the year to the Sinking Fund Account. Each year's contribution is dependant on the availability of funds. The fund is for future replacement on wornout assets.			
NOTE 13(b): Sinking Fund Account		Kshs.	Kshs.
Balance b/f		44,490,996	39,492,061
Received during the period		<u>3,500,000</u>	<u>5,000,000</u>
Available during the period		<u>47,990,996</u>	<u>44,492,061</u>
Spent during the period		<u>(1,065)</u>	<u>(1,065)</u>
Balance c/f		<u>47,989,931</u>	<u>44,490,996</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE 2025 (Continued)			
NOTE 14: INTANGIBLE ASSETS - COMPUTER SOFTWARE	Note	2024-2025 Period Ended 30/Jun/25 Kshs.	2023-2024 Period Ended 30/Jun/24 Kshs.
Cost			
At the beginning of the year-Net		6,193,606	7,742,008
Additions		<u>1,292,298</u>	-
At the end of the year		7,485,904	7,742,008
Amortization on Intangible Assets - Software		<u>(1,497,181)</u>	<u>(1,548,402)</u>
At the end of the year- NBV		<u>5,988,724</u>	<u>6,193,606</u>
This represents costs related to the acquisition of computer software and expenditure incurred towards enhancing and extending the benefits and lives of computer software programs beyond their original specifications.			
NOTE 15: EXCHANGE GAIN/(LOSS)			
Exchange Gain		334,420	1,229,532
Exchange Loss		<u>(264,595)</u>	<u>(2,243,458)</u>
Total		<u>69,825</u>	<u>(1,013,926)</u>
NOTE 16(a): CASH AND CASH EQUIVALENT -CASH AT BANK			
Name	Acc No/Bank	Kshs.	Kshs.
Recurrent	1106971361-kcb	8,360,700	21,704,776
Development	1106749944-kcb	24,898,788	211,941,391
Various Projects	1106750012-kcb	26,600,331	47,401,954
Sinking Fund	1106972643-kcb	47,989,931	44,490,996
Gold Plus Savings	1107063272-kcb	25,496,025	25,496,265
Gold Plus Revenue	1107063558-kcb	4,646,217	31,692,496
KEFRI US Dollar Account	1107182867-kcb	7,266,766	8,280,481
EURO A/C	1107064929-kcb	7,822,985	1,170,944
BAMBOO PROJECT	1208326104-kcb	256,638	347,704
GIZ PROJECT -LODWAR	1183017367-kcb	2,046	2,046
KEFRI/REGIONAL TRAINING	6433340016-cba	605,717	1,085,075
KEFRI WATER TOWER	1176894080-kcb	-	8,336
KEFRI ADAPTATION FUND	1178886956-kcb	-	2,815
KEFRI COMMERCIAL FORESTRY INVESTMENT	102000035970-family bank	244,910	2,216,777
KEFRI ENTERPRISE	1236001621-kcb	<u>284,731</u>	<u>333,401</u>
Baringo Forestry Research	1103643819-Kcb	5,505	-
Turkana Forestry Research	1107315395-Kcb	169,896	-
Muguga Regional Research	1107106419-Kcb	173,190	-
Nyeri Forestry Research Station	1101979755-Kcb	38,846	-
Garissa Forestry Research	1131204018-Kcb	-	-
Kibwezi Forestry Research	1102843997-Kcb	55,798	-

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NOTE 16(a): CASH AND CASH EQUIVALENT - CASH AT BANK- CONT'D		2024-2025 Period Ended 30/Jun/25 Kshs.	2023-2024 Period Ended 30/Jun/24 Kshs.
LVB ECO Region -Maseno	1104027445-Kcb	310,708	-
Kakamega Forestry Research	1111552665-Kcb	42,485	-
KEFRI - Ramogi Forestry	1203921896-Kcb	-	-
KEFRI Migori Sub Centre	1177570270-Kcb	826	-
Gede Regional Research Centre	1104272385-Kcb	204,071	-
KEFRI Taita Taveta Centre	1216223386-Kcb	-	-
Kitui Regional Research Centre	1106000676-Kcb	-	-
KEFRI Karura Forestry Products	1107095158-Kcb	40,996	-
KEFRI Rumuruti Sub-centre	1335751874-Kcb	-	-
Centre Director- Londiani	1103646257-Kcb	163	-
KEFRI Lamu Sub-centre	1176461885-Kcb	-	-
KEFRI Turbo Forestry Research	1102542156-Kcb	6,377	-
Totals		<u>155,524,644</u>	<u>396,175,457</u>
NOTE 16(b): Cash Generated from Operations			
Surplus for the period before tax		(101,506,234.00)	(20,752,150.00)
Adjusted for:			
Depreciation		89,973,635.10	71,577,731.00
Amortization for Intangible Asset		1,497,181.00	1,548,402.00
Provision for bad debts		7,690,446.65	-
Deferred Income		(15,591,576.00)	(16,766,435.00)
KEFRI Surcharge		(198,237.00)	(250,000.00)
Commission Income		(221,234.00)	(206,887.00)
Contributed assets		(46,722,210.60)	178,760,031.00
Finance income/(foreign exchange gain /(loss)		69,825.00	<u>1,013,926.00</u>
Adjusted Surplus		<u>(65,148,053.85)</u>	<u>214,924,618.00</u>
Working Capital Changes:			
Decrease (Increase) in Debtors		68,258,763.77	(275,114,282.00)
Decrease (Increase) in Stock		(5,503,245.76)	10,310,754.00
Increase (Decrease) in Creditors		<u>(63,163,373.15)</u>	<u>98,232,601.00</u>
Net Cash from operating activities		<u>(65,555,909.00)</u>	<u>48,353,691.00</u>
NOTE 17: DEBTORS SCHEDULE/ RECEIVABLES			
17(a): RECEIVABLES FROM EXCHANGE TRANSACTIONS			
Water and Electricity Debtors		1,720,953	4,520,219
Kenya Forest Service		255,360	262,000
Plan International		-	18,250
FAO Kenya		-	322,000

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17(a): RECEIVABLES FROM EXCHANGE TRANSACTIONS- CONT'D		2024-2025 Period Ended 30/Jun/25	2023-2024 Period Ended 30/Jun/24
ICRAF		682,270	159,000
World Vision		47,927	984,550
Sundry Debtors		253,265	5,207,630
Kitui County Government		2,220,410	202,000
Kitui County Assembly		-	102,500
Child Fund		47,250	222,000
Agricultural Dev. Support Prog.		-	1,164,350
Tanathi		-	310,000
Pastoral Resilience		-	79,840
Baringo County Government		1,520,925	1,890,105
Turkwel CIP		-	30,200
GIZ SIF Programme		-	514,700
ILRI		-	33,900
IEBC		-	151,850
Groots Kenya		-	273,000
Kenya Red Cross		124,000	33,000
Marie Loreto			50,920
Friends of Lake Turkana-FOLT		-	137,500
IRC (International Rescue Committee)		50,400	172,000
Homestay Safari Group Ltd		-	10,000
Catholic Diocese of Machakos		-	81,500
KCB Kitui/Marigat		-	27,000
Kenya Revenue Authority (KRA)		-	30,000
National Cohesion & Integration Com.		-	504,800
African Population Health Research		-	50,000
United Nations Office for Project Services		-	70,400
Turkana County Assembly		193,500	315,000
National Aids & Control Council		-	792,420
Pure African Delights		-	14,000
Sapcome		-	226,500
ADS North Rift		-	66,000
Centre for Enhancing Democracy		-	54,000
Turkana Veterinaries		-	35,000
KOAN		-	45,600
Tower Tech		-	77,450
KENGEN		1,004,750	930,000
KCSAP		-	540,000
Lamu County Government		-	235,500
NEMA-Baringo		-	11,000
KERRA		308,750	416,000
State Department of Planning		-	190,500

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17(a): RECEIVABLES FROM EXCHANGE TRANSACTIONS-CONT'D		2024-2025 Period Ended 30/Jun/25	2023-2024 Period Ended 30/Jun/24
ACTED-Marigat		-	192,000
SELF HELP AFRICA		-	153,800
Micro and Small Enterpies		-	100,000
NANCHA		-	450,000
National Treasury		-	353,541
Legal Resource Centre		123,320	411,400
ERLP		-	485,300
Ewaso Ngiro South Dvt Authority		-	354,500
Reconcile		-	279,900
Relief & Recon DVT Org		-	41,000
Midrift Hurinet		-	318,500
Woody Weeds		-	447,500
PANAFRICARE		-	154,400
CARITAS		47,260	270,600
REREC		49,000	70,000
APAD		-	25,000
King Foundation		50,190	71,700
Turkana University		150,840	735,400
ACDI/VOCA		-	162,000
ACT		-	357,600
Ethics and Anticorruption Comission		-	84,000
CRC-University of Bonn		-	272,000
KEMSFED		79,200	1,119,000
FHI 360		-	210,000
TETRATECH International		-	318,800
World Food Programme		-	50,000
Farming Systems Kenya		-	1,069,600
International Union of Conservation		152,000	-
KALRO		-	100,000
KELCOP		64,125	-
Ministry of Housing		128,800	-
Total		<u>9,274,495</u>	<u>30,221,725</u>
17(b) : RECEIVABLES FROM NON- EXCHANGE TRANSACTIONS		30/Jun/25	30/Jun/24
Travelling Imprest		90,200	8,375,500
Station/Special Imprest		2,090,300	2,704,682
Salary in Advance		95,590	35,530
Salary Advance		35,817	63,530
Total		<u>2,311,907</u>	<u>11,179,242</u>

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17(c) : RECEIVABLES FROM STATE DEPARTMENT OF FORESTRY		2024-2025 Period Ended 30/Jun/25	2023-2024 Period Ended 30/Jun/24
Ministry of Environment, Climate Change and Forestry, State Department of Forestry.		208,250,000	254,160,133
Total		208,250,000	254,160,133
17(d) : PREPAYMENTS			
Prepaid Staff Medical Insurance		27,574,529	21,336,316
Prepaid Motorvehicle, Personal accident Insurance & Building Insurance		<u>8,475,803</u>	<u>7,248,082</u>
Total		<u>36,050,333</u>	<u>28,584,398</u>
Total Debtors		<u>254,701,251</u>	<u>324,145,498</u>
NOTE 18: INVENTORIES	Note	Kshs.	Kshs.
Seeds & Seedlings		47,056,620	42,497,913
Forest Plantations		84,814,678	83,411,338
Drugs & Dressings		780,123	314,286
Cutlery & Utensils		-	7,638
Supplies for Production		132,900	108,480
Laboratory Chemicals		37,318	35,025
Food Stuff		86,370	102,751
Uniforms & Clothings		107,554	680,148
Stationery/Computer Accessories		3,230,358	3,719,363
Motor Vehicle Spare Parts & Fuel		-	-
Hardware, Electricals & Cleaning Materials		<u>3,325,653</u>	<u>3,191,385</u>
Total		<u>139,571,572</u>	<u>134,068,326</u>
NB: The Institute's Forests Plantations are for research purposes (experiments) and not for commercial use.			
The plantations are harvested at the end of the experiment hence the provision of IPSAS 27 are not applicable.			
NOTE 19: CREDITORS SCHEDULE (PAYABLES)	Note		
Sundry Creditors - Merchants	19(a)	64,235,983	7,473,554
Miscellaneous Recovery (Unpaid BTLs)	19(b)	<u>1,323,821</u>	<u>548,215</u>
Totals		<u>65,559,804</u>	<u>8,021,769</u>
NOTE 19(a): Sundry Creditors - Merchants			
Air Plus Cooling Systems And Electrical Contractors Limited		41,000.00	-
Alipa Supplies		-	42,000.00
Analytical and Allied Equipments Services Limited		1,205,470.00	-

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NOTE 19(a): Sundry Creditors – Merchants- Cont'd		2024-2025 Period Ended 30/Jun/25	2023-2024 Period Ended 30/Jun/24
Arreozzie Enterprise Limited		22,337.00	-
Arvia Technology Limited		96,000.00	-
Ask Kassamjee		52,840.00	-
Auto Express		61,400.00	-
Basori Limited		16,500.00	-
Bellea Pharmacy Limited		122,797.00	-
Benchtop Lab Africa		100,400.00	-
Broadlink General Merchants Ltd		1,946,311.00	-
Cemea Limited		116,030.00	-
Central Fuel and Lubricants		45,000.00	-
CFAO Motors Kenya Limited		830,137.99	-
Chem Labs Limited		47,341.00	-
Chorwe Junctuion Butchers		120,610.00	153,020.00
Cloud Productivity Solutions		10,669,690.48	-
Combination Stores		9,100.00	185,000.00
Connel Enterprises Limited		13,923.60	-
Cookswell Jikos Limited		895,200.00	-
Copierforce (Kenya) Limited		1,597,320.00	-
Copy Cat Ltd		-	93,467.00
Cosmic Star Investment Ltd		-	48,000.00
Crown Motors Group Limited		214,456.00	-
Cyberrace(Africa)Limited		1,600,889.14	-
Dasomic Enterprise		49,595.05	-
Deacon Syndicate Limited		131,348.00	-
Debbicar Enterprises Ltd		-	51,185.00
Divinestar Agencies Limited		50,681.90	-
Dla Scientific Limited		112,098.34	-
Ebolik Limited		14,340.00	-
Elijohn Ventures		12,460.99	-
Elmagnifico Traders		79,810.00	-
Emwajoh Enterprise General supply		-	67,200.00
Fahari Aviation Limited		458,361.00	-
Faradere Investments Limited		150,000.00	-
Fast Choice Limited		353,292.25	-
Fireside Group		265,318.68	-
Fleport Enterprises		165,000.00	-
Gabna Trading Co. Ltd		-	26,000.00
Garissa University		208,800.00	-

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NOTE 19(a): Sundry Creditors - Merchants- Cont'd		2024-2025 Period Ended 30/Jun/25	2023-2024 Period Ended 30/Jun/24
Gede Books and Stationery Store Limited		36,590.00	-
Giks Holding		37,200.00	-
GT Investments Limited		50,676.00	-
Harlems Merchants Limited		40,000.00	-
Harley's Limited		14,000.00	-
Hawaa Groceries		47,200.00	-
Hindi Magogoni Water users Association		104,960.00	-
Hoofdrop		-	7,200.00
HMG Works Limited		19,582.00	-
Ideal Quality Trail Systems Limited		80,580.85	-
Intermass Stationers & Printers Limited		89,950.00	-
Islah Logistics Company Ltd		99,450.00	-
Isuzu E.A. Limited		82,570.92	-
Jafro Investments		55,790.00	-
Jaicom Networks Ltd		262,376.00	-
Japhro Investmenst Ventures		73,000.00	-
Jathendah Limited		748,670.00	648,835.00
Jogi Motors		46,201.00	96,536.00
Kaluni Trading Agencies		-	277,897.00
Kahiga Signatures Supplies		13,192.61	-
Kaylan Tours & travel		-	34,800.00
Kevron Healthcare Limited		137,496.34	-
Kibucho Enterprises		60,600.00	-
Kilimanjaro Mini Market		20,000.00	-
Kirandich& sond Holding Limited		97,990.00	211,615.00
Kikuyu selfridges supermarket		-	144,869.00
Kitui Corner brothers		517,740.00	-
Koriyama Enterprise Ltd		-	114,560.00
Knicky Automax		199,000.00	-
Lamu Filling Station		26,389.10	-
Lamu Filling Station		33,936.00	-
Lamu Filling Station		40,992.00	-
Legacy Lab Africa Limited		106,736.66	-
Lieta Engineering Limited		440,888.29	-
Link Valuers & Assesors		294,002.00	-
Mama Chris Grocery Store		94,235.00	59,710.00
Man K Investment		-	292,000.00

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NOTE 19(a): Sundry Creditors – Merchants- Cont'd		2024-2025 Period Ended 30/Jun/25	2023-2024 Period Ended 30/Jun/24
Marigat Glory Gen store		183,740.00	286,980.00
MFI Document Solutions Limited		2,780,000.00	-
Mona Iconic		-	66,960.00
Mpekex General		36,350.00	-
Murat General Merchant		37,242.00	-
Mwami general supplies		20,630.02	-
Mwewe Cleaning & Fumigation Services Limited		245,327.02	-
Narmorupus Two Eletronic House Lodwar		-	28,000.00
New Urban Edge Solutions		411,000.00	-
Nila Pharmaceuticals		139,585.00	-
Nolads Engineering Limited		870,549.32	-
Nyasa General Merchants		37,800.00	-
Ola Energy		129,999.60	-
Pathethe General Suppliers		472,844.66	-
Peakbytes Limited		141,614.62	-
Petratel General Merchants Limited		51,000.00	-
Phileliz Electronic Services		21,000.00	-
Plenteuous Agency limited		90,346.00	-
Precise Lab Africa Limited		3,000.00	-
Protist Lab Africa Limited		132,048.00	-
Rainbow Meat Supermarket		-	52,140.00
Red Flames Enterprise		4,640.00	-
Rentokil Initial		76,161.37	-
Rift Valley Paper Point		111,000.00	-
Safe Point Limited		172,200.00	-
Samlurca Enterprises		58,893.60	-
Seven To Seven Co.Ltd		37,247.00	-
Signature Health Care		60,840.00	-
Skytech Africa Supplies Limited		143,533.00	-
Smatts Medical Systems Limited		132,128.00	-
Solid Renee		376,677.60	-
Spellion Kenya Limited		1,917,306.00	-
Stabex International		21,060.00	22,950.00
Startup Kenya Ltd		102,028.65	-
Techtai investments		59,320.00	-
Titanic Moran Enterprises		58,827.10	-

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NOTE 19(a): Sundry Creditors – Merchants- Cont'd		2024-2025 Period Ended 30/Jun/25	2023-2024 Period Ended 30/Jun/24
Trechmax		264,199.63	-
Villa Grazia Luxury Hotel		60,000.00	-
Vimtech trading company		593,000.00	-
Viram ventures Limited		109,900.00	-
Wazipp Enterprises		-	76,510.00
Wesa Ventures Limited		81,200.00	-
Wingustar Solutions Ltd		916,300.00	-
Worldmate Travel & Tour Co. Limited		337,540.00	-
Xiabrit Technologies		1,523,770.00	-
Xtranet		43,442.00	-
Yaendi General Supplies		37,011.10	-
Zadchem Healthcare Ltd		-	22,610.00
Zuzumz Limited		5,800.00	-
Appkings Solution Limited		11,868,840.00	-
Linked Investments Ltd		942,824.86	-
Maow Holdings Ltd.		1,337,691.19	-
Buuti Enterprises Ltd		1,724,814.28	-
Trueland Construction Limited.		1,668,275.83	-
Pacific General Works Ltd		1,936,065.00	-
Fossils Agencies		1,702,828.26	-
Jowhar Investment Limited		1,463,150.88	-
Accruals - (KPLC)		-	22,000
Insurance Compensation		264,947	4,341,510
Provision for Gratuity		2,370,590	-
Total		<u>64,235,983</u>	<u>7,473,554</u>
NOTE 19(b): MISCELLANEOUS RECOVERIES	Note	2024-2025 Period Ended 30/Jun/25 Kshs.	2023-2024 Period Ended 30/Jun/24 Kshs.
KEFRI Welfare Society		183,601	183,601
Family Remittance		18,000	6,000
Londiani Welfare Society		130,096	130,096
Prudential Assurance		9,931	
University loan(HELB)		-	904
OIC Gede Bus charges		1,100	-
Imarisha Savings and Credit		10,000	-
Scientist welfare		738,000	-
Turbo Welfare		13,770	13,770

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NARC - Rent		40,600	40,400
Director NVRC-House & Electricity Charges		52,200	44,000
PS Min.of Roads & Pub. Works- Rent		26,500	42,400
Fortune Sacco		43,760	
Union of civil servants		9,000	8,800
COTU		4,343	4,343
Kenya Professional Association of Women in Agriculture		5,200	4,200
KENASA		9,400	8,600
Admin Staff Welfare		6,000	-
Stima Sacco		3,000	-
Newfortis		19,320	-
Kuja/Migori Selfhelp Group		-	61,101
Total		<u>1,323,821</u>	<u>548,215</u>
NOTE 19(c): Auditor General- Accrued Audit Fee			
Auditor General- accrued audit fee		<u>660,000</u>	<u>660,000</u>
NOTE 19(d): Kenya Revenue Authority			
Commisioner of VAT- Accrued VAT		=	<u>66,733,804</u>
Commisioner of VAT- Interest		-	22,106,832
Commisioner of VAT- Penalties		=	<u>6,719,570</u>
Total		=	<u>95,560,206</u>
NOTE 20: Medical Scheme		-	345,205
NOTE 21: CAPITAL GRANTS/DEFERRED INCOME & RESERVES			
Nature and Purpose of Reserves			
The Institute creates and maintains reserves in terms of specific requirements.			
(a)(i) Deferred Income from Government Grants for Capital Assets		2024-2025	2023-2024
Government Grants for Capital Assets /Donations	Note	Kshs.	Kshs.
Balance b/fwd		1,772,788,425	1,598,716,690
Transfers		(118,548,481)	(98,005,065)
Additions		80,000,000	272,076,800
Balance C/d		<u>1,734,239,944</u>	<u>1,772,788,425</u>
(a) (ii)Deferred Income from External Donors on Donated Assets			
Balance b/fwd		459,593,563	476,359,998
Deferred Income/ Donated Assets	8(b)	<u>(15,591,576)</u>	<u>(16,766,435)</u>
Balance C/d		<u>444,001,988</u>	<u>459,593,563</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE 2025 (Continued)

NOTE 21: CAPITAL GRANTS/DEFERRED INCOME & RESERVES			
(b) Revaluation Reserves			
The Revaluation Reserves cater for the revalued amount in the cost of Property, Plant and Equipment. The amount in the Reserve Account includes revalued amount of the Institute's land and buildings as indicated below:			
REVALUATION SURPLUS RESERVE			
LAND PARCEL NO.		Date	
23877		29/03/1999	51,400,000
23879		29/03/1999	41,442,800
23883		29/03/1999	<u>18,000,000</u>
TOTAL			<u>110,842,800</u>
BUILDINGS ON LAND PARCEL NO.			
23877		29/03/1999	6,867,630
23879		29/03/1999	7,076,500
23883		29/03/1999	<u>6,656,000</u>
TOTAL			<u>20,600,130</u>
Total Gain on revaluation			<u>131,442,930</u>
Revaluation on heavy vehicles		30/6/2013	<u>2,967,483</u>
Balance b/f 1/7/2013			<u>134,410,413</u>
Revaluation gain on Land			
Nos. 23877/23879/23883	Muguga	30/6/2014	3,829,157,200
Nos. 24600	Kitui-Tiva	30/6/2014	117,160,000
Block 11/127	Kitui-Hqts	30/6/2014	<u>27,900,000</u>
			<u>3,974,217,200</u>
Revaluation gain on Buildings			
Muguga Hts/Seed Centre		30/6/2014	318,324,237
Kitui-Hqts/Kitui-Tiva		30/6/2014	<u>40,247,638</u>
			<u>358,571,875</u>
Revaluation gain for the year 2014			<u>4,332,789,075</u>
Balance c/f 30/6/2014			<u>4,467,199,488</u>

NOTE 21: CAPITAL GRANTS/DEFERRED INCOME & RESERVES (Continued)			
(c) Sinking Fund See Note 13(b)			
The Institute sets aside a determined amount of money every year from internal sources to the fund account for the purpose of purchasing and maintenance of capital assets. The cash funds that back up the Sinking fund a/c are sometimes invested to boost the fund with interest earned.			
	Note	2024-2025 Period Ended 30/Jun/25 Kshs.	2023-2024 Period Ended 30/Jun/24 Kshs.
Sinking Fund			
Balance b/f		44,490,996	39,492,061
Received during the period		3,500,000	5,000,000
Available during the period		47,990,996	44,492,061
Spent during the period		(1,065)	(1,065)
Balance c/f		47,989,931	44,490,996
(d) External Grants Reserve			
The External Grant Reserve captures the unspent Donor Funds. Most of the Donor Grants cover a period of over one year. It is on this basis that the Institute only recognize the spent amount as the income for the period. The unutilized fund is carried forward in this reserve to the next period.			
(e) Accumulated Surplus / (Deficit)			
Accumulated Deficit is as a result of the depreciation charge per year which does not have any monetary effect on Income and Expenditure statement. Any surplus realised within the year reduces this deficit.			
Balance b/f		(109,896,056)	(89,143,906)
Prior Year Adjustments		25,325,518	-
Surplus/(Deficit) for the period		(101,506,234)	(20,752,150)
Balance c/f		(186,076,772)	(109,896,056)
NOTE 22: IPSAS 20 Related Party Disclosures			
Related parties are parties that control or have significant influence over the reporting Institute including key management personnel and parties that are controlled or significantly influenced by the reporting Institute.			
RELATED PARTY TRANSACTIONS			
Remuneration and other costs of Board of Management	12	15,735,035	21,864,902
Ministry of Environment, Climate Change and Forestry- Government Grants received	6	1,615,000,000	1,966,846,798
Salaries and other staff employment benefits of Senior Management	10	19,138,646	16,069,638
Staff receivables	17(b)	2,311,906.70	11,179,242.00
		1,652,185,588	2,015,960,580

NOTE 23: Material Arrears in Statutory /Financial Obligations			
		Period Ended	Comparative Period
As at: 30/06/2024		2024-2025	2023-2024
Statutory obligations- Note 19(d) Commissioner of VAT		-	95,560,206
Other Payables	Various	65,559,804	8,021,769
	Total	65,559,804	103,581,975

Note 24. Prior Period Adjustments

During the financial year under review, the Institute made prior period adjustments to reflect corrections and updates to previously reported financial obligations. These adjustments are detailed as follows:

(i) VAT Payable Adjustment

An amount of Kshs 95,560,206 was previously accrued as VAT payable in the financial year 2023/2024. Following the extension of the Tax Amnesty to 30th June 2025, the Institute remitted Kshs 66,733,804 towards the outstanding VAT liability. The remaining balance of Kshs 28,748,416, representing interest and penalties, was waived under the amnesty provisions and has been adjusted accordingly in the prior year's financial accounts. This adjustment reflects compliance with the Kenya Revenue Authority's tax relief framework and ensures accurate reporting of the Institute's tax obligations.

ii) Medical Scheme Liability Adjustment

An amount of Kshs 345,205 was remitted during the reporting period to settle a long-outstanding liability owed to a defunct medical scheme, which was formally dissolved in the financial year 2023/2024. Given that the scheme no longer exists, the payment has been recognized as a prior period adjustment and removed from the Institute's current liabilities. This correction ensures the financial statements accurately reflect the Institute's obligations and eliminates legacy balances associated with non-operational entities.

iii) Board Sitting Allowance PAYE

An amount of Kshs. 661,500 that represented PAYE expense on board was for financial year 2023/2024. It was inappropriately charged to the current year's accounts resulting to an overstatement on board expenses. An adjustment has been made to align with IPSAS 1 which require that transactions and events be recognized in the period to which they relate.

iv) NSSF Tier II

During the initial implementation of the National Social Security Fund (NSSF) Tier II contributions, the Institute remitted both Tier I and Tier II deductions directly to NSSF in compliance with prevailing statutory requirements.

However, the Institute operates its own Defined Contribution (DC) Scheme and, in alignment with the provisions of the NSSF Act and Retirement Benefits Regulations, it sought approval from the Retirement Benefits Authority (RBA) to redirect Tier II contributions to its internal pension scheme. This strategic move was intended to enhance **member benefits and align with the Institute's long-term retirement planning objectives.**

Due to delays in receiving formal approval from RBA, the remittance of the FY 2023/2024 amounting to Ksh.3,106,063 was consequently deferred and remitted in FY 2024/2025. This amount was accounted for in FY 2024/2025 financial statement thus the overstatement. A prior adjustment has been passed to correct the anomaly.

25. Appendices

Appendix 1: Progress on Follow up of Auditor Recommendation

The following is the summary of previous issues raised by the external auditor, and management comments provided to the auditor. KEFRI nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

a) Reference No. on the external audit report b) Issue/Observation from Auditor	Management Comments	Focal Point person to resolve the issue	Status - Resolved/ Not Resolved	Remarks/ Time frame
	2023/2024 Report.			
a) Property, Plant and Equipment	The value of the land equivalent to 2,847 ha was recorded in the Financial Statements. These exclude parcels of land owned by KFS, Maseno University, County Governments of Kitui, Lamu, Migori and Karura. Headquarters land registered under the Ministry of Environment and Natural Resources was also excluded.	Director KEFRI	Resolved	Institute has acquired Specific Use license as per Forest Conservation & Management Act for land use in Gazetted forests. KEFRI is pursuing title deeds with Counties and they are at different stages of acquisition.
b) Long Outstanding receivables	Included in trade debtors was an amount of Kshs. 11,500,313 that was outstanding for more than one year. No follow up and no provision had been made	Director KEFRI	Not Resolved	A debt collection committee was established to review the debt status. Follow up was done through the legal office. Demand letters were done and significant recovery has been achieved.
c) Long Un-surrendered Imprests	Outstanding special and travel imprests amounted to Kshs. 11,179,242 out of which an amount of Kshs. 5,261,677 were outstanding for more than 120 days	Director KEFRI	Resolved	Imprests have since been recovered and/ or have been surrendered.

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a) Reference No. on the external audit report b) Issue/Observation from Auditor	Management Comments	Focal Point person to resolve the issue	Status - Resolved/ Not Resolved	Remarks/ Time frame
d) Unsupported Board Expenses	Special imprests of Kshs. 4,259,861 were cash withdrawals and its accuracy, completeness and regularity of the payments could not be confirmed	Director KEFRI	Resolved	Confirmed by the Internal Auditors and schedules were provided to the Audit Committee Board and ready for confirmation.



Gen (Rtd) Samson J. Mwathethe

Chairman: KEFRI Board of Directors

Date: 8th December 2025



Dr. Jane W. Njuguna

Director KEFRI

Date: 04/12/2025

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Appendix II: Projects Implemented

PROJECTS DETAILS					
Project implemented Funded by development partners for the Year 2024-2025					
	Project title	Donor	Period/ duration	Donor commitment	Separate donor reporting(ye s/no)
1	PCPB OSHO	OSHO	1 Year	2,256,269.00	NO
2	NATURE KENYA	NATURE KENYA	2 Years	11,611,850.00	YES
3	FOUNDATION FRANKLINA	IIED	3 Years	6,194,050.00	YES
4	ILO GARISSA	ILO	1 Year	37,828,000.00	YES
5	ILO TURKANA	ILO	1 year	30,041,400.00	YES
6	ACIAR RE-INGENEERING	Australian Centre for International Agricultural Research	3 Years	4,880,795.00	YES
7	TWENDE	CONSERVATION INTERNATIONAL	3 Years	3,500,000.00	YES
8	World Vision	IIED	2 Years	1,382,610.00	NO
9	JIFPRO	JICA	2 Years	6,531,154.24	NO
10	DARWIN	DARWIN INITIATIVE	3 Years	28,028,692.65	YES
11	SUNRISE	EU	3 Years	3,078,000.00	YES
12	Franklinia Abedares	Franklinia Abedares	3 years	3,603,960.00	No
13	GATSBY	GATSBY INTERNATIONAL	3 years	3,634,912.00	NO
14	Consultancy	Various		3,271,373.50	NO
15	Diversify	EU	3 years	1,518,321.00	NO
16	Cashew nuts		1 year	450,000.00	NO
17	INTEGRATED COLLABORATIVE RESEARCH ON CLIMATE CHANGE, WATER RESOURCES AND FOOD SECURITY IN UPPER EWASONGIRO	Government of Kenya -NRF	3 years	7,802,881.00	NO
18	ENHANCING PRODUCTIVITY OF PLANTATION FORESTS IN KENYA THROUGH TREE IMPROVEMENT- NATIONWIDE	Government of Kenya -NRF	3 years	633,279.00	NO
19	ENHANCE PROPAGATION AND CONSERVATION OF SANDALWOOD IN LAIKIPIA	Government of Kenya -NRF	3 years	3,662,671.00	NO
20	University of Edinburg	University of Edinburg	1 year	1,488,200.00	NO
21	Softs		1 year	1,439,100.00	NO
22	Biovision Vihiga		1 year	2,266,066.00	No

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Appendix III: Status of Projects Completion

STATUS OF PROJECTS COMPLETION						
	Project	Total project Cost	Total expended to date	Completion % to date	Budget Balance	Sources
1	PCPB OSHO	2,256,269	1,074,600	48	1,181,669	OSHO
2	FOUNDATION FRANKLINA	6,194,050	4,138,985	67	2,055,065	IIED
3	TWENDE	38,174,760	32,088,374	84	6,086,386	CONSERVATION INTERNATIONAL
4	JIFPRO	6,531,154	4,846,154	74	1,685,000	JICA
5	DARWIN	28,028,693	27,317,122	97	711,570	DARWIN INITIATIVE
6	SUNRISE	3,078,000	2,205,833	72	872,167	EU
7	The Nature Conservancy-KENYA PFM	11,611,850	9,906,750	85	1,705,100	Nature Kenya
8	ACIAR Re-ingeneering	4,880,795	3,565,296	73	1,315,499	Australian Centre for International Agricultural Research
9	ILO Turkana	30,041,400	11,324,520	38	18,716,880	ILO
10	ILO Garissa	37,828,000	37,826,666	100	3,634,912	ILO
11	Franklinia Abedares	3,603,960	1,691,597	47	1,912,363	Franklinia Abedares
12	Sunrise	3,078,000	2,205,833	72	872,167	EU
13	GATSBY	5,026,252	430,500	9	4,595,752	GATSBY INTERNATIONAL
14	Consultancy	3,271,374	2,833,419	87	437,955	Various
15	Diversify	1,518,321	1,080,366	71	437,955	EU
16	Cashew nuts	450,000	284,750	63	165,250	

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STATUS OF PROJECTS COMPLETION						
	Project	Total project Cost	Total expended to date	Completion % to date	Budget Balance	Sources
17	INTEGRATED COLLABORATIVE RESEARCH ON CLIMATE CHANGE, WATER RESOURCES AND FOOD	7,802,881	5,478,681	70	2,324,200	Government of Kenya - NRF
18	ENHANCING PRODUCTIVITY OF PLANTATION FORESTS IN KENYA THROUGH TREE IMPROVEMENT-NATIONWIDE	633,279	137,437	22	495,842	Government of Kenya - NRF
19	ENHANCE PROPAGATION AND CONSERVATION OF SANDALWOOD IN LAIKIPIA	3,662,671	3,118,366	85	544,305	Government of Kenya - NRF
20	University of Edinburg	1,488,200	0	0	1,488,200	University of Edinburg
21	Softs	1,439,100	420,000	29	1,019,100	
22	Biovision Vihiga	2,266,066	2,217,936	98	48,130	

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Appendix IV: Transfers from Government Entities

Name of the MDA/Donor Transferring the Funds	Date Received As per Bank Statement	Nature Recurrent, Development, Others	Amount	Statement of Financial Performance	Where Recorded /Recognized				
					capital Fund	Deffered Income	Receivables	Others-Specific	Total Transfers
Ministry of Environment, Climate Change and Forestry, State Department of Forestry.	9/4/2024	Recurrent	128,416,667	128,416,667	-	-		-	128,416,667
Ministry of Environment, Climate Change and Forestry, State Department of Forestry.	9/20/2024	Recurrent	113,666,666	113,666,666	-	-		-	113,666,666
Ministry of Environment, Climate Change and Forestry, State Department of Forestry.	9/30/2024	Development	-	11,669,872		11,669,872	-		-
Ministry of Environment, Climate Change and Forestry, State Department of Forestry.	10/15/2024	Recurrent	112,250,000	112,250,000			112,250,000		112,250,000
Ministry of Environment, Climate Change and Forestry, State Department of Forestry.	11/22/2024	Recurrent	112,250,000	112,250,000	-	-		-	112,250,000
Ministry of Environment, Climate Change and Forestry, State Department of Forestry.	12/5/2024	Recurrent	112,250,000	112,250,000	-	-		-	112,250,000
Ministry of Environment, Climate Change and Forestry, State Department of Forestry.	12/23/2024	Development	80,000,000		80,000,000				80,000,000
Ministry of Environment, Climate Change and Forestry, State Department of Forestry.	9/30/2024	Development	-	43,019,445		43,019,445			-
Ministry of Environment, Climate Change and Forestry, State Department of Forestry.	1/8/2025	Recurrent	94,666,667	-	-	-	-	-	94,666,667

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Appendix IV: Transfers from Government Entities- Cont'd

Name of the MDA/Donor Transferring the Funds	Date Received As per Bank Statement	Nature Recurrent, Development, Others	Amount	Statement of Financial Performance	Where Recorded /Recognized				
					capital Fund	Deffered Income	Receivables	Others-Specific	Total Transfers
Ministry of Environment, Climate Change and Forestry, State Department of Forestry.	1/20/2025	Recurrent	112,250,000	112,250,000	-	-	-	-	112,250,000
Ministry of Environment, Climate Change and Forestry, State Department of Forestry.	3/14/2025	Recurrent	112,250,000	112,250,000	-	-	-	-	112,250,000
Ministry of Environment, Climate Change and Forestry, State Department of Forestry.	3/31/2025	Development	-	28,031,517	-	28,031,517	-	-	-
Ministry of Environment, Climate Change and Forestry, State Department of Forestry.	4/4/2025	Recurrent	112,250,000	112,250,000	-	-	112,250,000	-	-
Ministry of Environment, Climate Change and Forestry, State Department of Forestry.	5/14/2025	Recurrent	158,250,000	158,250,000					158,250,000
Ministry of Environment, Climate Change and Forestry, State Department of Forestry.	6/18/2025	Recurrent	158,250,000	158,250,000					158,250,000
Ministry of Environment, Climate Change and Forestry, State Department of Forestry.	Not Received	Recurrent	208,250,000	208,250,000					208,250,000
Ministry of Environment, Climate Change and Forestry, State Department of Forestry.		Development		53,002,009		53,002,009			-
Total			1,615,000,000	1,576,056,176	80,000,000	135,722,843	224,500,000	-	1,502,750,000

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Appendix V- Inter-Entity Confirmation Letter

Name of transferring entity: Ministry of Environment, Climate Change and Forestry, State Department of Forestry.

Name of beneficiary entity: Kenya Forestry Research Institute

Confirmation of Amounts Received by KEFRI as at 30 th June, 2025					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
Quarter 1	As indicated in Appendix IV	242,083,333	-	242,083,333	
Quarter 2	As indicated in Appendix IV	336,750,000	80,000,000	416,750,000	
Quarter 3	As indicated in Appendix IV	319,166,667	-	319,166,667	
Quarter 4	As indicated in Appendix IV	637,000,000	-	637,000,000	June funds have been recognized but accrued in the statements
Total		1,535,000,000	80,000,000	1,615,000,000	

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

Head of Accounts Department - State Department of Forestry

Name Alice A. Olango Sign [Signature] Date 5/12/25

Head of Accounts Department - Kenya Forestry Research Institute:

Name Repa Rose Oson Sign [Signature] Date 4/12/25

Kenya Forestry Research Institute

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Appendix VI: Reporting of Climate Relevant Expenditure

Project Name	Project Description	Project Objectives	Project Activities	FY 2024-2025				Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
Towards Ending Drought Emergencies -TWENDE PROJECT	TWENDE Project (Towards Ending Drought Emergencies: Ecosystem Based Adaptation in Kenya's Arid and Semi-Arid Rangelands) funded by Green Climate Fund (GCF) and Co-financed by the Government of Kenya and other project partners aims to build resilience of livestock and other land use sectors through landscape restoration and supporting priority value chains in semi-arid regions of Kenya.	The project KEFRI-TWENDE project has a focus on supporting gums and resins value chain by providing value chain inputs and market development for products harvested from natural habitats	Undertake two baseline studies on value chain analysis mapping of gums and resins trade and marketing in Kenya and a study on socio-economic, environmental and resource assessment of gums and resins in four counties (Marsabit, Isiolo, Samburu and Garissa)	1,913,103	2,244,504	832,656	877,600	IUCN	State department of Livestock, ICRAF, JUSTDIGGIT
National Tree Growing and Rangeland Restoration Campaign	National Project of Production and Distribution of seeds and raising of tree seedling to meet 30% tree cover by 2032	To attain 30% Tree Cover by 2032	Collection, Processing and distribution of tree seed. Raising of tree seedlings for increased tree cover which will act as carbon sink and combat climate change	-	-	14,347,791	11,428,004	GOK	Minsity of Environment Clomate Change and Forestry, Kenya Forest Service(KFS), KEFRI, Kemya Water Tower Agency (KWTa)
ISO-Cerified mass timber from locally grown tree species	To test Melia volkensii as a potential candidate for mass timber production	Assess suitability of Melia volkensii timber in construction applications	Determination of physical and mechanical properties of Melia volkensii timber	-	-	-	1,524,492	Dalberg Catalyst	KEFRI, CSFEP

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Project Name	Project Description	Project Objectives	Project Activities	FY 2024-2025				Source Of Funds	Implementing Partners
Darwin Initiative	Establishing a Biocultural Heritage Territory to protect Kenya's Kaya forests	Establish a Biocultural Heritage Territory for conservation and sustainable use of biodiversity and genetic resources in four Kaya forests in Rabai Sub-County.		3,806,788	3,095,600	2,844,790	-	IIED	KEFRI
ILO Prosopis-Garissa	Prosopis Juli flora management for decent green jobs and livelihoods support to host communities and refugees in Garissa and Turkana	Sustainable utilization of invasive species (Prosopis juliflora) Developing and applying a monitoring, evaluation and learning (MEL) framework for adaptation pathways	Implementation in Garissa	8,393,305	6,313,083	7,799,899	8,874,092	International Labour Organisation	KEFRI
ILO Prosopis-Turkana	Prosopis Juli flora management for decent green jobs and livelihoods support to host communities and refugees in Garissa and Turkana	Sustainable utilization of invasive species (Prosopis juliflora) Developing and applying a monitoring, evaluation and learning (MEL) framework for adaptation pathways	Implementation in Turkana	1,179,700	1,798,890	1,217,471	11,470,545	International Labour Organisation	KEFRI
Australian Centre for International Agricultural Research	The greening for the future project: integrating climate change adaptation pathways into community-led greening in East Africa	Promote creation of green jobs through Prosopis utilization for products development		-	-	-	3,565,296	Australian Centre for International Agricultural Research	KEFRI

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Project Name	Project Description	Project Objectives	Project Activities	FY 2024-2025				Source Of Funds	Implementing Partners
Foundation Franklina	Promoting long-term conservation of endangered tree species in the Eastern Arc Mountains forests of Taita Hills, Kenya	To enhance and promote long-term <i>in situ</i> conservation of two endangered endemic tree species (<i>Coffea fadenii</i> and <i>Afrocarpus usambarensis</i>) in the Eastern Arc Mountains forests of Taita Hills		194,000	1,319,050	2,053,920	1,123,700	Foundation Franklina	KEFRI
Participatory Forest Management and landscape Restoration training Financial Report	Participatory forest management and landscape restoration	Socio-ecological survey in Cherengany hills	Development of a PFM training programme and training manual, Soil sampling for stock assesments,Mutitu PFMP Development	2,037,430	187,830	901,500	1,983,380	Nature Kenya	KFS,KEFRI,NACOFA/PFM
PCPB OSHO	Evaluation of of termiticides	Establish experimental teriticide efficacy evaluation sites	Collect data, Set experiments, evaluate and Report	-	-	-	1,074,600	Cropanet PLAASS	KEFRI,PCPBO
Franklina Abedares	Enhancing participatory conservation strategies for protection of threatened tree species in Aberdare Mountain Ranges	Mapping, repair/establishment of a tree nursery in Nyeri and Nyandarua Counties		-	-	346,500	1,345,098	Foundation Franklina	KEFRI
Japan International Forestry Promotion and Cooperation Centre	Afforestation/Reforestation program usingb M-STAR long rooted seedling in semi arid areas of Kitui and Kibwezi	Technical development of M-STAR model, establish farm forestry afforestation and visualization of afforestation activity		554,258	1,261,063	-	560,257	JIFPRO	JIFPRO,KEFRI

Kenya Forestry Research Institute
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Project Name	Project Description	Project Objectives	Project Activities	FY 2024-2025				Source Of Funds	Implementing Partners
World Vision Kenya	Implementing the sustainable environment and economy against drought and degradation (K-SEED) project in Kajiado and Narok Counties	Establish baseline carbon stocks and greenhouse gas balances	-	-	429,800	847,880	Korea International Cooperation Agency (KOICA)	KEFRI	