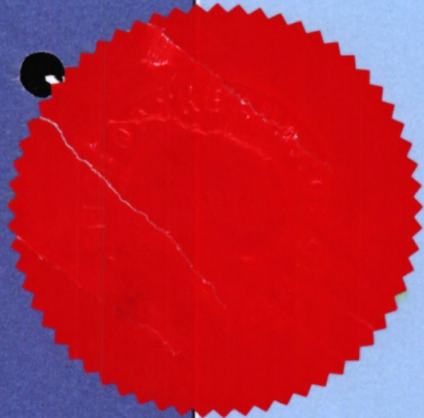


REPUBLIC OF KENYA



REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

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Majority Party

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THE-TABLE:

HON. OWEN BAYAMP

MERCI CHUMO

THE AUDITOR-GENERAL

ON

**FINANCIAL INCLUSION FUND
(HUSTLER FUND)**

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



Hustler Fund
JIINUE · JIENDELEZE

FINANCIAL INCLUSION FUND (HUSTLER FUND)

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)

Financial Inclusion Fund (Hustler Fund)

Annual Report and Financial Statements

for the year ended June 30, 2025

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1. Acronyms and Definition of Key Terms

A: Acronyms

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

B: Definition of Key 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 Entity Information and Management

(a) Background information

The Financial Inclusion Fund (Hustler Fund) was established under the Public Finance Management Act, 2012, via the Public Finance Management (Financial Inclusion Fund) Regulations, 2022, on November 30, 2022. The Entity is domiciled in Kenya and delivers its services nationally through integrated digital channels, including the USSD code *254#, a dedicated mobile application, and partner banking platforms, rather than physical branches.

Its operational structure is organized into key departments critical for executing its dual financial and social mandate, including Credit Management, which oversees the disbursement of Personal, Micro-business, SME, and Start-up loans; Savings and Investments, which manages the borrower's personal savings and long-term Hustler Pension product; Technology and Digital Innovation, which maintains the core platform and API integrations; and Risk and Compliance, which safeguards the Fund's assets and ensures regulatory adherence.

The Entity operates under the strategic oversight of the State Department for Micro Small and Medium Enterprise Development (MSMEs) in the Ministry of Cooperatives and Micro, Small, and Medium Enterprises Development (MSMEs) and is governed by an appointed Board of Trustees

(b) Principal Activities

The principal activity and mandate of the Financial Inclusion Fund (Hustler Fund) is to provide affordable, accessible, and sustainable financial products and services to individuals, micro-businesses, small and medium enterprises (SMEs), and chamas (associations) in order to enhance financial inclusion, build a culture of savings and investment, and empower economically marginalized Kenyans.

Derived from the Public Finance Management (Financial Inclusion Fund) Regulations, 2022, the core functions and objectives of the Entity are:

- a. To Promote a Savings Culture: To facilitate and mobilize personal savings, investments, and retirement planning among beneficiaries by automatically allocating a portion of every loan disbursed to a dedicated personal savings account and a long-term Hustler Pension product.

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- b. **To Build Financial Identity and Literacy:** To develop the credit profiles of borrowers through a structured credit scoring system, thereby integrating them into the formal financial ecosystem, and to provide financial education on the prudent use of credit and the benefits of savings.
- c. **To Foster Digital Financial Inclusion:** To leverage technology and innovation through mobile platforms and digital channels to deliver financial services efficiently, securely, and cost-effectively to the widest possible population across Kenya.
- d. **To Ensure Sustainability:** To operate a sustainable revolving fund model where loan repayments are relent to other beneficiaries, ensuring the long-term viability and continued impact of the Fund.
- e. **To Provide Access to Credit:** To offer collateral-free, affordable, and responsible credit facilities to Kenyans, particularly those at the bottom of the economic pyramid, to facilitate personal development, business growth, and entrepreneurship.

Vision:

To be the foremost catalyst for universal financial inclusion and economic empowerment for every Kenyan.

Mission:

To democratize access to affordable financial services by providing credit, fostering a savings culture, and building financial literacy for the empowerment of individuals and micro-enterprises.

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(c) Key Management

FIFs day-to-day management is under the following key organs:

No.	Designation	Name
1.	Board Chairperson	Dr. Habil Olaka EBS
2.	Board Member -PS State department of MSMEs	Miss.Susan Auma Mang'eni
3.	Board Member	Mr. Paul Musyimi
4.	Board Member -Alternate to PS Co-operatives	Mr. Symon C. J Mburia
5.	Board Member	Mrs. Jennifer Mwangagi
6.	Board Member -Alternate to Ps Treasury	Mrs. Edna Atisa
7.	Executive Board Member-Former Chief Executive Officer	Mrs. Elizabeth N. Nkukuu
8.	Executive Board Member-Current Chief Executive Officer	Mr. Henry Tanui

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(d) Fiduciary Management

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

No.	Designation	Name
1.	Chief Executive Officer	Mrs. Elizabeth N. Nkukuu
2.	Head of Finance	Mr. Solomon Kiratu
3.	Head of Procurement	Mr. Bernice Kendi
4.	Head of Human Resources	Mr. Dalmas Yaa
5.	Head of ICT	Mr. Nicholas Ngari

(e) Fiduciary Management

The key management personnel who are currently in office and who have direct fiduciary responsibility are:

No.	Designation	Name
1.	Chief Executive Officer	Mr. Henry Tanui
2.	Head of Finance	Mr. Geoffrey Babu Ochande
3.	Head of Strategy and Planning	Mrs. Millicent Mwangi
4.	Head of Human Resources	Mr. Brian Ooko
5.	Head of ICT	Mrs. Eunice Wandera
7.	Head of Internal Audit	Mr. Peterson Kisala

Key Entity Information and Management (continued)

(f) Fiduciary Oversight Arrangements

To effectively carry out its mandate, the Board of the Financial Inclusion Fund has put in place the following key committees:

i. Audit, Risk and Compliance Committee

Established in accordance with the Public Finance Management (National Government) Regulations, 2015, this Committee provides oversight of the Fund's financial reporting process, the internal and external audit processes, the system of internal controls, and compliance with laws and regulations. It is the cornerstone of the Fund's fiduciary integrity and accountability.

ii. Strategy, Programs and Resource Mobilization Committee

This Committee is responsible for providing strategic guidance and oversight on matters relating to the Fund's long-term direction, strategic planning, and the implementation of its core programs. Its purview includes monitoring service delivery performance against strategic objectives and advising the Board on resource mobilization strategies to ensure the Fund's sustainability and growth.

iii. Finance and General-Purpose Committee

In line with the fiduciary duties prescribed by the Public Finance Management Act, 2012, this Committee ensures that all money held in the Fund, including any earnings or accruals, is spent only for its established purposes. It oversees the preparation and timely submission of the Fund's annual financial statements to the Auditor-General, the National Treasury, the Commission on Revenue Allocation, and the Controller of Budget as mandated. Furthermore, the Committee provides oversight on all key support functions, including Human Resources and Procurement, to ensure operational efficiency and compliance.

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(g) Entity Headquarters

P.O. Box 30547
KIBT Building
Ojijo Road
Nairobi, KENYA

(h) Entity Contacts

Telephone: (254) 728600576
E-mail: ceo@hustlerfund.go.ke
Website: www.hustlerfund.go.ke

(i) Entity Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
NAIROBI, KENYA
2. Kenya Commercial Bank
Milimani Branch
P.O. Box 48400
00100
NAIROBI, KENYA
3. Family bank
Family Bank Plaza Branch
P.O. Box 74145- 00100
NAIROBI, KENYA

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(j) Independent Auditor

Auditor-General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

(k) Principal Legal Adviser

The Attorney General

State Law Office and Department of Justice

Harambee Avenue


P.O. Box 40112

City Square 00200



Nairobi, Kenya

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3. The Board of Directors/Council

Ref	Directors	Details
1.	 <p>Dr. Habil Olaka, EBS</p>	<p>Dr. Habil Olaka, EBS holds a first-class honors BSc Degree in Electrical Engineering from UoN and an MBA in Finance from the Manchester Business School in the UK as well as a Doctor of Business Administration degree from the United States International University. He is a member of ICPAK and CFA and an alumnus of Strathmore School of Accountancy.</p> <p>Previously, he was the Chief Executive Officer of the Kenya Bankers Association. Earlier, he was the Director of Operations of the East Africa Development Bank (EADB) and also member of the senior management team in charge of the credit operations and business development of the bank. Before joining the bank he had been with Banque Indesosuez now Bank of Africa for four years as the Internal Auditor, having started his career at the Price Water House Coopers Nairobi in the audit and business advisory division.</p> <p>He is the chairperson of Financial Inclusion fund and Independent Member of the Board.</p>



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<p>2.</p>	 <p>Ms.Susan Auma Mang'eni,CBS</p>	<p>Ms. Susan Auma is 45 Years old. She is the Principal Secretary State Department of Micro Small and Medium Enterprises (MSME) Development under the Ministry of Cooperative and Micro Small and Medium Enterprises (MSME). She is a governance and development expert with close to 15 years' experience in both the private and public sectors in areas of strategic leadership, public policy formulation, analysis and implementation, enterprise development, institutional building, oversight, youth and women empowerment.</p> <p>Prior to her current appointment, Hon. Susan Mang'eni served on the Boards of the Youth Enterprise Development Fund (YEDF), Kenya Institute of Public Policy Research and Analysis (KIPPRA) and The Competition Tribunal of Kenya. She was also a member of the Working group on the socio-economic audit of the constitution of Kenya 2010, under the office of the Auditor General.</p>
<p>3.</p>	 <p>Mr. Paul Musyimi</p>	<p>Mr. Paul Musyimi is 39 Years old. He holds a Bachelor of Laws (LLB) from the University of Nairobi and is currently pursuing his Master of Laws (LL.M) in International Trade and Investment Law at the same Institution. In addition, he has a Post-Graduate Diploma from the Kenya School of Law and an Entry Certificate to Arbitration from the Chartered Institute of Arbitrators (CIArb). He is a Member of Law</p>

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		<p>Society of Kenya, East African Law Society, Kenya Institute of Management (KAM).</p> <p>Mr. Musyimi is an Advocate of the High Court of Kenya in private practice. He has extensive experience in Energy Law, Contracts Law, Public-Private Partnerships, Constitutional and Devolution Law having served as Legal Officer at Rural Electrification Authority, Legal Advisor to the Governor of Nairobi and Advocate and Consultant at several Leading Law Firms.</p> <p>He is an Independent Member of the Board.</p>
4.	 <p>CCOP Symon C. J Mburia</p>	<p>Mr. Symon C.J Mburia born in 1968. He holds a Bachelor of Commerce degree from the University of Nairobi (UoN) a Msc. in Entrepreneurship from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and a Certificate in Public Policy Development from Strathmore University.</p> <p>He is a Deputy Commissioner for Co-operative Development and immediate former Ag. Chief Executive Officer of Kenya Society of Professional Co-operators (KSPC) He joined the Government of Kenya in 1993 as a co-operative officer and has grown through the ranks to the current position.</p> <p>He is an alternate to PS Co-operatives</p>
5.	 <p>Mrs. Jennifer Mwangagi</p>	<p>Mrs. Jennifer Mwangangi was born in 1974. She holds a Master of Arts (M.A.) - Counselling Psychology from Daystar University and Bachelor of Education (B.Ed., Arts), Linguistics and Literature from the University of Nairobi,</p> <p>She is a psychologist specialist professional with over 20 years of experience in research and writing, consultancy, counselling, youth mentorship, community psychosocial support and educational empowerment.</p> <p>She is an independent member of the Board.</p>

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		<p>her PhD in Law from the University of Nairobi with a specialty in Corporate Governance. In addition, Ms. Ng’ania is an active member of the Law Society of Kenya where she serves in the Court of Appeal Bar Bench and the Environment and Land Court Bar bench, a member of the Chartered Institute of Arbitrators and a Certified Mediator with Mediation Training Institute.</p> <p>She is an independent member of the Board.</p>
8.	 <p>Mrs. Elizabeth N. Nkukuu, CFA</p>	<p>She is 43 Years old.</p> <p>She is currently pursuing her Doctor of Philosophy (PHD) Degree in Business Administration (Finance) from Nairobi University. She has a Master of Business Administration (MBA) from Nairobi University and a Bachelor of Science in Actuarial Science from Nairobi University.</p> <p>She has close to Twenty years of experience in the Financial Services sector with a key focus on Investment, Management in the Pension and Personal Wealth Creation programs.</p> <p>She is the former Chief Executive Officer</p>
9.	 <p>Mr. Henry Tanui</p>	<p>Mr. Henry K. Tanui is a seasoned financial and public sector executive with over 24 years of distinguished experience in the financial sector. He holds MBA(ESAMI), BSC (Hons) in Financial Services (University of Manchester). Diploma in Banking Associateship from the Institute of Financial Services (ifs), currently London Institute of Banking Services.</p> <p>His extensive career spans commercial banking, development finance, and public fund management. He previously held senior leadership roles, including East African Community (EAC) Cluster Head of Risk Management and Country Risk Manager at Ecobank Kenya Limited. He also served for over a decade as the Director in charge of the Agricultural Research Fund (ARF) at the Kenya</p>

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6.



Mrs. Edna Atisa

Mrs. Edna Atisa holds a Master's Degree in Economics, a bachelor's of arts in Economics and a post-graduate diploma in education from the University of Nairobi

She is an economist with vast experience in economic policy and formulation. She has worked at the National treasury and seats in many Boards as an Alternate to the PS.

She is alternate to Ps Treasury

7.



Ms. Melissa Ng'ania

Melissa Ng'ania was born in 1984.

She is an Advocate of the High Court of Kenya of over 13 years practice at Ng'ania & Co. Advocates where she is the managing partner. As a Legal practitioner, Ms. Ng'ania draws her robust experience from litigation of public interest matters, private commercial disputes and electoral disputes. In addition, she doubles up as an adjunct lecturer at the Kenya School of Law- Advocate Training Programme where she has taught Civil Litigation for the last five (5) years. Ms. Ng'ania has extensive board experience in both private and public institutions. She served as a member of the HIV and AIDS Tribunal between 2019 to 2022, Kenya Deposit Insurance Corporation (KDIC between January 2023 to November 2024).



She is currently serving at the boards of Micro-Cap Holdings, a fintech company and the Financial Inclusion Fund. Ms. Ng'ania holds a Bachelor of Laws (LLB) Degree from Makerere University, a Post-Graduate Diploma in Law from the Kenya School of Law, and a Master of Laws (LLM) with specialty in Law, Governance and Democracy from the University of Nairobi. She is currently pursuing

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		<p>Manager at Ecobank Kenya Limited. He also served for over a decade as the Director in charge of the Agricultural Research Fund (ARF) at the Kenya Agricultural and Research Organization, where he was responsible for fund coordination, resource mobilization, and research project oversight.</p> <p>Mr. Tanui possesses deep expertise in risk management, credit portfolio administration, alternative dispute resolution, and financial inclusion. His professional background encompasses comprehensive product propositions for SMEs, corporate clients, and individuals, with a strong focus on economic development.</p> <p>He brings to the Fund a proven track record in strategic leadership, financial management, and the operational oversight of complex national institutions. He is responsible for the overall strategic direction, day-to-day management, and operational performance of the Fund, driving its mandate to foster financial inclusion and economic empowerment.</p>
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4. Key Management Team

	Management	Details
1.	 <p>Mrs. Elizabeth Nkukuu, CFA Master of Business Administration (MBA) and Bachelor of Science in Actuarial Science.</p>	<p>Former Chief Executive Officer</p>
2.	 <p>Mr. Henry Tanui</p>	<p>Current Chief Executive Officer</p>

5. Chairman's Statement

It gives me great pleasure to present to you the financial statements of the Financial Inclusion Fund, commonly known as the Hustler Fund, for the year ended 30th June 2025. As a flagship initiative of the Government, the Fund continues to support citizens at the bottom of the economic pyramid through innovative and inclusive financial solutions. This past year has marked by strong growth, strategic transformation, and increasing public trust, as we delivered on our mandate of offering accessible credit and savings products, enhancing financial literacy, and supporting health and enterprise development.

The Fund recorded robust performance across its key indicators. Total loan value disbursements increased by 33.4% to Kes. 72.27 billion from Kes. 54.19 billion, while repayments rose by 38.7% to Kes. 58.61 billion, reflecting both higher uptake and improved credit behavior. We welcomed over 2.5 million new customers, and total transactions grew by 18.6% to 72.9 million.

A major milestone during the period was the successful launch of the Bridge Loan in December 2024. Designed for high-performing Personal Loan customers, the product has already disbursed over Ksh 5.29 billion to nearly 592,000 opted-in users, with a strong repayment performance of Ksh 4.27 billion underscoring the effectiveness of our data-driven credit rating model.

Despite the progress made, several operational challenges continue to impact the Fund's performance. These include understaffing, budgetary constraints limiting the ability to meet the growing demand for affordable credit, elevated default rates, insufficient organizational staffing structures, and low levels of financial literacy among target beneficiaries.

As we enter our next phase of growth, we are focused on strengthening institutional capacity, improving operational efficiency, enhancing repayment performance, and expanding our product offerings particularly in business lending. We remain committed to delivering a seamless customer experience while scaling our impact nationwide

I thank the Board, management, our partners, and the millions of Kenyans who continue to place their trust in the Hustler Fund.



Dr. Habil Olaka, EBS

Chairperson, Board of Management

6. Report of the Chief Executive Officer

The Financial Inclusion Fund, launched on November 30th, 2022, by H.E. President William Samoei Ruto, was established to empower Kenyans often excluded from formal financial systems. As we reflect on the year ending June 30th, 2025, I am proud to report significant progress in deepening financial inclusion and building a more resilient economic base for millions. The Fund has firmly established itself as a cornerstone of financial inclusion in Kenya, demonstrating robust performance across its core lending and savings products.

Our product suite continues to mature and resonate strongly with the public. The fund has so far developed three products: Personal loan, Group loan and Bridge loan. The flagship Personal Loan remains our most popular offering, attracting an additional 1.48 million borrowers and bringing the total number of Kenyans served to over 18.8 million. The Bridge loan is also performing well while the Group Loan product, despite high registration, struggled with low update due to a cumbersome onboarding process, resulting in low conversion rates. Addressing this technological bottleneck is a critical priority for the coming year.

At the same time, our savings ecosystem has undergone a strategic evolution. While mandatory savings continued to grow, we also observed a notable increase in withdrawals from short-term savings. Encouragingly, our Voluntary Savings product gained strong traction, reaching Ksh 486.64 million by the end of the period. This growth highlights both the trust Kenyans have placed in our platform and the growing culture of responsible financial behaviour.

On the ground, we intensified outreach through county-level engagement in Kakamega, West Pokot, Nakuru, Machakos, and Narok. While impactful, our efforts were limited by funding constraints, emphasizing the need for diversified resourcing beyond repayments.

Despite these gains, our operational capacity has been constrained by our reliance on deployed staff from the State Department for MSMEs and interns with lack of experts in technical departments, which has impacted our efficiency and resolution of core mandate issues. I am pleased to report that the recruitment process for a substantive Chief Executive Officer is at an advanced stage, which will be pivotal in leading the newly established secretariat forward.

Looking ahead, we are committed to building a more agile and responsive institution. Priorities include simplifying access to Group Loans, finalizing our Business Loan product, addressing regional disparities in performance, and enhancing service delivery through recruitment of full dedicated team. With the support of the National Treasury and the enduring trust of our users, we are well-positioned to expand our impact and deepen our mission.



Henry Tanui

Chief Executive Officer

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

The Fund has demonstrated remarkable progress across all strategic pillars during the reporting period. Our credit pillar shows exceptional growth in both disbursement volume and borrower reach, while the savings products have gained significant traction among beneficiaries. The capacity building and market linkage initiatives, though in earlier stages, show promising development through structured programs and partnerships.

Institutional development remains foundational to our success, with substantial achievements in policy framework development and system implementation. The sustainability measures implemented have begun yielding positive results, though regional disparities in repayment rates require continued attention and targeted interventions.

Looking forward, the Fund will focus on:

1. Enhancing product diversification to include business and emergency loans
2. Scaling successful pilot programs in capacity building and market linkages
3. Strengthening recovery mechanisms to improve overall portfolio quality
4. Completing institutional development through full secretariat establishment
5. Expanding digital capabilities to improve customer experience and operational efficiency

The integration of these strategic objectives into our performance management system has ensured organizational alignment and accountability, contributing significantly to our achievements to date.

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Provision of Affordable Credit	Increase access to affordable credit for individuals and groups at the bottom of the pyramid	Loan disbursement growth rate • Number of active borrowers • Average loan ticket size • Loan portfolio quality	• Scale personal loan product • Launch and promote group loans • Develop digital lending platform • Implement credit scoring system	• Cumulative disbursements: KSh 53.4 billion • Over 20 million borrowers reached • Personal loan average: KSh 890 • Group loan

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				average: KSh 7,735
Competitive Savings Products	Promote savings culture and provide safe, accessible savings vehicles	<ul style="list-style-type: none"> • Total savings value • Number of voluntary savers • Savings product uptake rate 	<ul style="list-style-type: none"> • Maintain mandatory savings scheme • Launch voluntary savings product • Develop savings mobilization strategy • Conduct savings awareness campaigns 	<p>Mandatory savings: KSh 3.3 billion</p> <ul style="list-style-type: none"> • Voluntary savings: KSh 190 million • Involuntary savings: KSh 2.67 billion • 85% growth in voluntary savings
Capacity Building	Enhance financial literacy and business management skills among beneficiaries	<ul style="list-style-type: none"> • Number of training participants • Financial literacy scores • Program satisfaction rate 	<ul style="list-style-type: none"> • Develop financial literacy curriculum • Conduct community training programs • Train community champions • Establish partnerships with training providers 	<ul style="list-style-type: none"> • Curriculum development completed • Pilot programs in 15 counties • 250 community champions trained • 5 strategic partnerships established

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Market Linkages	Connect beneficiaries with markets and economic opportunities	<ul style="list-style-type: none"> • Number of market partnerships • Beneficiaries linked to markets • Value of transactions facilitated 	<ul style="list-style-type: none"> Initiate market aggregator partnerships • Develop digital market platform • Facilitate business networking events • Collaborate with industry associations 	<ul style="list-style-type: none"> 8 market partnerships established • Digital platform prototype developed • 12 networking events conducted • 3 major industry collaborations
Institutional Development	Establish robust operational frameworks and systems	<ul style="list-style-type: none"> • Policy documents developed • System implementation rate • Staff recruitment completion 	<ul style="list-style-type: none"> • Develop strategic plans and manuals • Establish ICT infrastructure • Recruit fund secretariat staff • Implement risk management framework 	<ul style="list-style-type: none"> • 7 operational manuals developed • Core banking system operational • 65% secretariat positions filled • Risk management framework implemented
Sustainability & Risk Management	Ensure fund sustainability and effective risk mitigation	<ul style="list-style-type: none"> • Portfolio-at-risk ratio • Cost-to-income ratio • Regional repayment rates 	<ul style="list-style-type: none"> • Implement data-driven recovery strategies • Deploy regional 	<ul style="list-style-type: none"> • Nyeri County: 84.6% repayment • National PAR: <15% • Cost-income

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			collection teams • Develop product pricing models • Monitor portfolio quality	ratio: 45% • Recovery strategy implemented in 30 counties
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8. Corporate Governance Statement

i. Governance Framework and Structure

Financial Inclusion Fund is committed to upholding the highest standards of corporate governance in all its operations. In accordance with its formative regulations, the Fund is governed by an Advisory Board that provides strategic oversight and guidance. The day-to-day management and administration of the Fund is led by the Chief Executive Officer, who serves as the Fund's Administrator, supported by a dedicated management team.

ii. Board Composition and Effectiveness

The Advisory Board comprises individuals with diverse expertise in finance, risk management, social inclusion, and public administration, ensuring comprehensive oversight of the Fund's operations. All Board members have been carefully selected based on their qualifications and experience relevant to the Fund's mandate.

iii. Board Meetings and Engagement

During the financial year 2024/25, the Board demonstrated strong commitment to its oversight responsibilities through active engagement as summarized below:

	Name of Director	Board Meetings/ Special Meetings	Finance and General-purpose Committee	Strategy and Resource mobilization Committee	Board Governance Audit Committee	Full Board
1	Dr. Habil Olaka	0	0	0	0	1
2	Ms. Irene Karemi	3	0	0	0	1
3	Ms. Susan Mangéni	5	1	0	0	3
4	Ms. Jennifer Mwangangi	6	1	1	0	4
5	Mr. Symon Mburia	6	1	1	0	4
6	Mr. Paul Musyimi	4	0	1	0	4
7	Ms. Elizabeth Nkukuu	5	1	1	0	4
8	Ms. Melissa Ngang'a	1	1	0	0	2
9	Ms. Edna Adisa	6	1	0	0	4
	Total	36	6	4	0	27

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iv. Strategic Oversight and Policy Development

The Board maintained strong focus on strategic direction and policy framework development:

- Provided substantial input to the Fund's strategic planning process
- Reviewed and approved key operational manuals covering human resources, ICT, supply chain, finance, and risk management
- Ensured alignment of the Fund's activities with its establishing regulations and government policies
- Monitored implementation of the Fund's core pillars and strategic objectives

v. Committee Structure and Oversight

The Board operates through specialized committees that provide focused oversight on critical areas:

- Audit and Risk Committee: Oversees financial reporting, internal controls, and risk management
- Strategy, Programs and Resource mobilization Committee: Monitors implementation of strategic initiatives and program performance
- Finance and General purpose Committee: Oversees the finance and Human resources functions of the fund.

A table of Board Committees composition

1	Finance and General-Purpose Committee	
	Chairperson	1.Ms. Jennifer Mwangangi
	Member	2.Mr. Symon Mburia
	Member	3. Ms. Edna Atisa
2	Strategy Programs and Resource Mobilization	
	Chairperson	1.Mr. Paul Musyimi
	Member	2.Mr. Symon Mburia
	Member	3.Ms. Mellisa Ng'ania
3	Audit and Risk Committee	
	Chairperson	1.Ms. Melissa Ng'ania
	Member	2.Mr. Paul Musyimi
	Member	3.Ms. Edna Atisa

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vi. Performance and Evaluation

The Board conducted regular self-evaluation to assess its effectiveness and identify areas for improvement. The evaluation focused on:

- Quality of board discussions and decision-making processes
- Effectiveness of committee structures and reporting
- Timeliness and relevance of information provided to Board members
- Overall contribution to the Fund's strategic objectives

vii. Commitment to Continuous Improvement

The Fund remains dedicated to enhancing its governance practices through:

- Regular training and development programs for Board members
- Continuous review and update of governance policies and procedures
- Active engagement with stakeholders to incorporate best practices
- Transparent reporting and accountability mechanisms

The strong governance framework established by the Advisory Board has been instrumental in guiding the Fund's successful implementation and ensuring accountability in the use of public resources. The Board remains committed to providing strategic leadership that supports the Fund's mission of promoting financial inclusion and economic empowerment for all Kenyans.

9. Management Discussion and Analysis

The Fund was established to advance financial inclusion by delivering tailored solutions to communities at the base of the economic pyramid. To achieve nationwide scale and accessibility, we leverage a fully digital platform, a strategy that has demonstrated significant success in expanding our reach. Our operational framework is built on strategic partnerships with private sector entities, including banking institutions and Mobile Network Operators (MNOs), for both the joint execution of services and the collection of funds. This collaborative model ensures efficiency, scalability, and deep market penetration.

10. Environmental and Sustainability Reporting

i) Sustainability strategy and profile

The Financial Inclusion Fund's resolute dedication to sustainability is anchored in a strategic framework centered around technology. Notable aspects encompass:

- a) **Integration of Technology:** Technology occupies a central role in the fund's product development and distribution processes. This integration minimizes environmental impact, reduces paper usage, and aligns with the global trend towards digitization.
- b) **Leadership Commitment:** The leadership's proactive involvement, particularly the accounting officer, serves as a driving force in championing sustainable practices throughout the organization. This top-level endorsement is pivotal in fostering a culture of responsibility.
- c) **Navigating Trends:** The fund actively engages with prevailing political and macroeconomic trends that mold sustainability priorities. By adapting to these broader influences, the fund ensures its sustainability initiatives remain relevant and effective.
- d) **Guided by International Best Practices:** The Hustler Fund adheres to internationally recognized sustainability best practices, emphasizing alignment with established norms to foster credibility and effectiveness.
- e) **Balanced Assessment:** Acknowledging both accomplishments and areas requiring enhancement, the fund maintains transparency by openly addressing successes and setbacks. This balanced approach fuels continuous improvement.

ii) *Environmental performance*

The Hustler Fund's unwavering dedication to environmental responsibility is encapsulated within its meticulously designed environmental policy. This policy serves as a cornerstone, guiding the organization's commitment to sustainable practices.

- a. **Clear Outline of Environmental Policy:** At the heart of the fund's operations is a well-defined environmental policy. This policy articulates the fund's pledge to minimize its ecological footprint, advocating for conscientious practices that contribute to a healthier planet.

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- b. **Policy in Action:** The environmental policy translates into tangible actions that resonate with the fund's commitment. This is vividly evident in the strategic efforts employed to reduce carbon emissions, effectively manage waste, conserve water resources, and protect biodiversity.
- c. **Evidence of Achievements:** A testament to the fund's effectiveness in environmental stewardship is its remarkable accomplishments. Notably, the introduction of a digital lending platform has led to a significant reduction in paper consumption, aligning its practices with contemporary ecological standards.
- d. **Acknowledgement and Mitigation of Shortcomings:** The Hustler Fund operates within a framework of continuous improvement. This entails a candid appraisal of areas where environmental impact needs mitigation. Proactive measures are being undertaken to address these shortcomings, reflecting the fund's commitment to responsible practices.

iii) *Employee welfare*

Employee well-being is an integral facet of the Hustler Fund's organizational fabric and is evidenced in the following ways.

- a. **Policies for Fair Hiring:** The organization's commitment to equitable practices is reflected in its hiring policies. Notably, a focus on gender ratio and stakeholder engagement ensures an inclusive and diverse workforce, enhancing the Fund's social impact.
- b. **Continuous Improvement in Hiring Practices:** The Hustler Fund is committed to the evolution of its hiring practices in line with industry best practices. This commitment ensures that the organization consistently attracts and retains top talent.
- c. **Empowering Skill Development and Career Growth:** The Fund actively invests in its workforce by fostering skill enhancement and career development opportunities. This empowerment enhances both employee satisfaction and organizational growth.

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- d. **Recognition and Rewards:** The Hustler Fund's ethos of recognition is realized through robust appraisal and reward systems. Employee contributions are acknowledged, motivating exceptional performance and fostering a culture of excellence.
- e. **Safety and Compliance:** The organization upholds the highest standards of safety and compliance with the Occupational Safety and Health Act of 2007 (OSHA). This commitment to employee well-being underscores the Fund's dedication to holistic care.

iv) *Market place practices*

The Hustler Fund's ethical foundation extends to its marketplace practices.

- a. **Ethical Competition Measures:** The organization is steadfast in ensuring competition practices adhere to the highest ethical standards. This includes robust anti-corruption measures, responsible political engagement, championing fair competition, and respecting competitors.
- b. **Ethical Supplier Relations:** The Hustler Fund nurtures relationships with suppliers based on ethics and integrity. Adherence to contracts and equitable payment practices not only sustains partnerships but also reflects the Fund's commitment to ethical business conduct.
- c. **Ethical Marketing Commitment:** Transparency and honesty underscore the Fund's marketing endeavours. A steadfast commitment to ethical marketing practices ensures that information is presented accurately, promoting trust with stakeholders.
- d. **Consumer-Centric Product Stewardship:** Safeguarding consumer rights is paramount. The Hustler Fund takes active measures through product stewardship, ensuring adherence to stringent ethical standards that prioritize consumer well-being and satisfaction.

v) ***Corporate Social Responsibility / Community Engagements***

The Hustler Fund's engagement with the community is a cornerstone of its identity. This section highlights:

- a. **Focused CSR Initiatives:** The Fund's commitment to societal betterment is channelled through initiatives emphasizing financial literacy, entrepreneurship, and community development. These initiatives align with the fund's goal of fostering lasting positive impact.
- b. **Tangible Societal Impact:** Through these initiatives, the Hustler Fund has measurably empowered communities. Evident outcomes include enhanced community empowerment and elevated financial literacy levels, which testify to the tangible improvements realized.
- c. **Concrete Community Engagement:** The Hustler Fund's engagement extends beyond intention, manifested through actionable steps. This includes charitable contributions, Corporate Social Investment, and diverse community-centric initiatives that embody the Fund's commitment to creating lasting change.

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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 FIF's affairs.

i) Principal activities

The principal activities and mandate of the Financial Inclusion Fund (Hustler Fund) is to provide affordable, accessible, and sustainable financial products and services to individuals, micro businesses, small and medium enterprises (SMEs), and chamas (associations) in order to enhance financial inclusion, build a culture of savings and investment, and empower economically marginalized Kenyans.

ii) Results

The results of the Entity for the year ended June 30, 2025, are set out on page 1 to 7

iii) Directors

The members of the Board of Directors who served during the year are shown on page xi to xiv. During the year one director – the Chairperson was dropped and one director – Chairperson was appointed to replace her with effect from February 2025.

iv) Auditors

The Auditor-General is responsible for the statutory audit of FIF in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 carried out the audit of the *FIF* for the year/period ended June 30, 2025, in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board



Name: Henry Tanui

Corporation Secretary/Secretary to the Board

12. Statement of Directors Responsibilities

Section 81 of the Public Finance Management Act, 2012 and require the Directors to prepare financial statements in respect of that Financial Inclusion Fund (Fund), which give a true and fair view of the state of affairs of the Fund at the end of the financial year/period and the operating results of the Fund for that year/period. The Directors are also required to ensure that the Fund keeps proper accounting records that disclose with reasonable accuracy the financial position of the Fund. The Directors are also responsible for safeguarding the assets of the Fund.

The Directors are responsible for the preparation and presentation of the Funds financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year (period) ended on June 30, 2025. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Fund; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Financial Inclusion Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and under the provisions of the section 24(4) of the Public Finance Management Act, 2012. The Directors are of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2025, and of the Entity's financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the Fund's, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

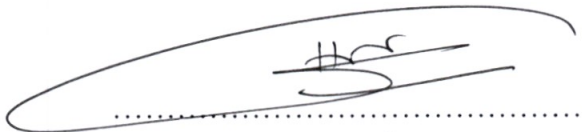
Financial Inclusion Fund (Hustler Fund)
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Approval of the financial statements

FIF's financial statements were approved by the Board on 9/12/2025 2025 and signed on its behalf by:



Name Dr. Habil Olaka, EBS
Chairperson of the Board



Name Henry Tanui
CEO and Accounting Officer

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON FINANCIAL INCLUSION FUND (HUSTLER FUND) FOR THE YEAR ENDED 30 JUNE, 2025

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 the 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 Financial Inclusion Fund (Hustler Fund) set out on pages 1 to 48, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual

amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, 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 the Financial Inclusion Fund (Hustler Fund) as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management (Financial Inclusion Fund) Regulations, 2022 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

The statement of cash flows reflects a net cash flow used in operating activities of Kshs.22,302,115. However, Note 20 to the financial statements which provides cash generated from operations, reflects a net cashflow from operating activities of Kshs.1,513,344,843 resulting to an unexplained cash outflow of Kshs.1,491,042,728.

Further, review of customers' savings records for the year under review revealed that the financial statements balance of Kshs.1,363,260,978, while the database provided for audit indicates Kshs.1,131,285,337, resulting to a variance of Kshs.231,975,641.

In the circumstances, the accuracy and completeness of financial statements could not be confirmed.

2. Unconfirmed Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.3,398,531,204, as disclosed in Note 10 to the financial statements. Included in the balance is Kshs.2,324,648,133 described as clients' savings account, which was not supported by the bank balance certificate, cash book or bank reconciliation statements. In addition, Note 12 to the financial statements reflects total customers' savings of Kshs.4,292,820,791 resulting to an unexplained variance of Kshs.1,968,172,658.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.3,398,531,204 could not be confirmed.

3. Unsupported Receivables

The statement of financial position reflects receivables balance of Kshs.15,232,948,671 as disclosed in Note 11(a) to the financial statements. The balance excludes debit and

credit entries relating to five (5) and one (1) service providers respectively as detailed below:

Service Provider	Amount (Kshs)
Duplicated disbursed Telkom	2,520,146
Duplicate Airtel	5,280,468
Suspense Safaricom	12,174,624
Suspense Telkom/KCB	574,141
Airtel Suspense	301,240
Airtel deposit error on repayment	(984,705)
Client Saving Receivables	18,903,230

Management cleared the items in revised financial statements submitted on 9 December, 2025. However, the supporting documentation including journal vouchers for clearance was not provided for audit.

In the circumstances, the accuracy, completeness and recoverability of accounts receivables balance of Kshs.15,232,948,671 could not be confirmed.

4. High Non-Performing Loans

The statement of financial position reflects receivables balance of Kshs.15,232,948,671 as disclosed in Note 11(a) to the financial statements. Included in the amount is Kshs.13,608,730,680 and Kshs.1,622,381,748 in respect of principal loan and interest receivable from the borrowers respectively. Note 11(b) to the financial statements provides aging analysis for receivables from exchange transactions showing a nil balance for current receivables less than one (1) year. However, the total outstanding receivables for the year amount to Kshs.2,049,423,499, comprising of principal receivable of Kshs.1,523,038,664 and interest receivable of Kshs.526,384,835.

Further, as at 30 June, 2025, Kshs.13,222,296,317 (87%) of the principal amount, had been outstanding for more than one (1) year, casting doubt on the Fund's ability to recover the loans.

In the circumstances, the recoverability of the non-performing loans of Kshs.15,232,948,671 could not be confirmed.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Financial Inclusion Fund (Hustler Fund) 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 on a comparable basis of Kshs.266,712,182 and Kshs.218,661,434, resulting in an under-realization of Kshs.48,050,748 or 18 % of the budget. Similarly, the Fund spent an amount of Kshs.121,974,415 against actual receipts of Kshs.218,661,434 resulting in under-utilization of Kshs.96,687,019 or 44% of the actual receipts.

The under-realization and under-utilization 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 audit report of the previous year, several issues were raised under the Report on Financial Statements. The issues as detailed in **Appendix I** remain unresolved as Parliament has not deliberated on the same.

Other Information

The Directors are responsible for the Other Information set out on page iv to xxxiv which comprise of Key Entity Information and Management, the Board of Directors, Key Management Team, 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 Financial Inclusion Fund (Hustler Fund) 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 and 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. Introduction of New Financial Product Without Authorization

The statement of cash flows reflects loan disbursements amounting to Kshs.17,937,605,028 for the year under review. During the period, the Fund introduced a new financial product, the Bridge Loan, and disbursed 1,344,531 loans amounting to Kshs.5,300,641,729. However, Management did not provide any documentary evidence to demonstrate that the product was formally approved by the Fund's Board of Trustees, the Parent Ministry, or The National Treasury. Further, no policy documents, operational guidelines, or approval minutes relating to the establishment and administration of the Bridge Loan were provided for review. This was contrary to Regulation 20 of the Public Finance Management (National Government) Regulations, 2015 which requires all new programmes, projects, or products to be approved by the relevant authorities before implementation. This exposes the Fund to the risk of issuing unauthorized credit products, potential misuse of public funds, and challenges in enforcing loan recovery.

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

2. Irregular Closure of Loan Accounts

Review of loan accounts revealed that 386,735 Safaricom loan accounts were marked as closed despite the principal amounts not having been fully repaid. The outstanding principal on these accounts amounted to Kshs.377,490,360, which should have been recovered before account closure. Management did not provide any evidence to justify or support the closure of these accounts. This was contrary to Regulation 23 (1) of the Public Finance Management (Financial Inclusion Fund) Regulations, 2022 which requires that a financial product or service advanced under these Regulations shall be repaid in full within the specified in the agreement, and that all sums due to the Fund are recoverable as a debt owed to the Fund.

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

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. Lack of Reconciliation on Trade and Other Payables

The statement of financial position reflects trade and other payables totaling Kshs.817,299,492, as disclosed in Note 19 to the financial statements. However, review of records provided for audit revealed that interest payable to the Service Providers totaling Kshs.599,820,906 has remained outstanding for more than two (2) years without settlement. In addition, the comparative amount was erroneously stated as Kshs.555,025,195 instead of Kshs.599,820,906.

Further, Note 19 to the financial statements reflects aging analysis for trade and other payables of a nil balance for borrowers less than one (1) year. However, the total outstanding payables for the year amount to Kshs.217,478,586.

In the circumstances, the effectiveness of internal controls and risk management could not be confirmed.

2. Over Withdrawals from Customer Savings Accounts

The statement of financial position reflects customer savings amounting to Kshs.4,292,820,791, as disclosed in Note 12 to the financial statements. However, analysis of customer transactions revealed that 37,042 customers withdrew amounts exceeding their available savings, resulting in overdrawn balances totaling Kshs.24,391,077.

In the circumstances, the effectiveness of system controls governing savings withdrawals and validation of available balances, could not be confirmed.

3. Loans Advanced to Beneficiaries with Outstanding Loan Balances

Review of the loan records revealed that the Fund disbursed 26,117 loans totalling Kshs.24,583,314 to 11,550 customers despite these customers having active outstanding loans, indicating weaknesses in credit control and loan-limit enforcement.

Further, the statement of financial position reflects a revolving fund balance of Kshs.14,398,822,364, as further reflected in the statement of changes in net assets. Review of documents provided for audit indicated that since the Fund's establishment, it

has received Kshs.14.8 billion from the Exchequer, out of which Kshs.14.4 billion was for onward lending to the target clients while Kshs.401 million was used to match the long-term savings of the clients who had borrowed more than five times. However, Management does not have a credit policy and collection strategy for non-performing loans.

In the circumstances, the effectiveness of internal controls on management and recovery of the defaulted loans could not be confirmed.

4. Over Reliance on the Service Providers

As previously reported, the Fund lacks direct control over key loan management processes—namely disbursements, repayments, savings withdrawals and maintenance of loan records. These functions are performed entirely by service providers, with the Fund relying solely on their systems and the data they generate. In the absence of an independent loan management system, the Fund is unable to validate the completeness, accuracy or integrity of the information provided.

This reliance exposes the Fund to substantial operational risks (including system errors and unauthorized transactions), financial risks (such as misstated balances and unverifiable recoveries), and data-integrity risks (including incomplete or inaccurate loan records).

In the circumstances, the reliability of the loan management system could not be confirmed.

5. Under Staffing

As previously reported, the Fund's Human Resource Instruments indicate that the Public Service Commission approved the staff establishment for the Fund with a total of 119 staff. However, the Fund had not recruited staff to fill in positions as per the approved staff establishment but relied on members of staff deployed from the State Department for Micro, Small and Medium Enterprises Development. The total number of staff seconded from State Department for Micro, Small and Medium Enterprises Development were eighteen (18) staff only, resulting to a shortfall of one hundred and one (101) members of staff. The Fund is operating with a very limited number of staff therefore, affecting its service delivery negatively.

In the circumstances, the operations of the Fund could not be confirmed as functioning optimally.

6. Loans Without Limit and Unverified Customers

Review of the registered customers database revealed that loan limits had not been set for 4,274,009 registered customers. Further analysis indicated that 38,893 of these customers were issued with loans totaling Kshs.60,434,159.

Further, the statement of cash flows reflects loans disbursement for the year under review amounting to Kshs.17,937,605,028. However, 104,631 loans amounting to

Kshs.116,465,155 were disbursed to customers whose National Identity Cards numbers were not captured in the customers' database.

In the circumstances, the issuance of loans to customers without established loan limits points to inadequate credit assessment controls and increases the risk of lending to unqualified or unverified customers.

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 control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit


My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error

and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

19 December, 2025

Appendix I

Unresolved Prior Year Matters

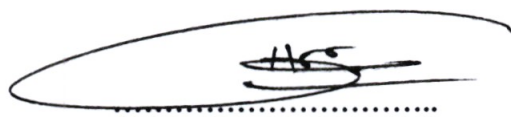
No	Reference	Observation
1	228	Unsupported Cash and Cash Equivalents
2	229	Unsupported Receivables
3	230	Unconfirmed Interest Income
4	231	Long Outstanding Payables
5	232	High Non-Performing Loans
6	233	Irregular Closed Loan Accounts
7	234	Duplicated Outstanding Loans
8	235	Over Reliance on the Service Providers
9	236	Underage Customers
10	237	Budget Control and Performance – under-realization and under-utilization
11	238	Lack of Procurement Documents for Service Providers
12	239	Under Staffing
13	240	Irregular Acting Beyond Six (6) Months
14	241	Failure to Establish Internal Audit Unit and Audit Committee
15	242	Lack of Proper Loan Management System/ERP System

Financial Inclusion Fund (Hustler Fund)
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14. Statement of Financial Performance for the year ended 30 June 2025

	Notes	2024-2025	2023-2024
		Kshs	Kshs
Revenue from non-exchange transactions			
Interest Income from Loans	6(a)	676,403,846	955,854,402
Transfer from State Department of MSME's Development	6(b)	10,000,000	-
Total revenue		686,403,846	955,854,402
Expenses			
Use of goods and services	7	415,663,265	521,066,453
Employee costs	8	15,692,563	-
Board Expenses	9	13,239,595	6,122,804
Depreciation and amortization expense	18(b)	3,918,881	-
Total expenses		448,514,304	527,189,257
Surplus for the period		237,889,542	428,665,145

The notes set out on pages 7 to 42 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:



Name: Henry Tanui
Accounting Officer

Date 9/12/2025



Name: Geoffrey Babu
Head of Finance
ICPAK M/No: 17817

Date 9/12/2025



Name: Dr. Habil Olaka
Chairman of the Board

Date 9/12/2025

Financial Inclusion Fund (Hustler Fund)
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15 Statement of Financial Position as at 30 June 2025


	Notes	2024-2025	2023-2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	10	3,398,531,204	3,346,510,887
Receivables	11(a)	15,232,948,671	13,571,908,132
KCB Bank Demand deposits	16	1,750,845,110	-
Total Current Assets		20,382,324,985	16,918,419,019
Non-Current Assets			
Property, Plant and Equipment	18	25,163,783	14,027,892
Total Non- Current Assets		25,163,783	14,027,892
Total Assets (A)		20,407,488,768	16,932,446,911
Liabilities			
Current Liabilities			
Customer Savings	12	4,292,820,791	3,273,147,062
Trade and Other Payables	19	817,299,492	599,820,906
Total Current Liabilities(B)		5,110,120,283	3,872,967,968
Net Assets(A-B)		15,297,368,485	13,059,478,943
Revolving Fund		14,398,822,364	12,398,019,499
Accumulated Surplus		898,546,121	661,459,443
Total Net Assets and liabilities		15,297,368,485	13,059,478,942

The financial statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by



Name: Henry Tanui
Accounting Officer

Date 9/12/2025



Name: Geoffrey Babu
Head of Finance
ICPAK M/No: 17817

Date 9/12/2025



Name: Dr. Habil Olaka
Chairman of the Board

Date 9/12/2025

Financial Inclusion Fund (Hustler Fund)

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

Description	Revolving Fund	Surplus	Total
	Kshs	Kshs	Kshs
As at July 1, 2023	12,106,397,390	117,202,385	12,223,599,775
Additions	810,000,000	-	810,000,000
Government Savings Matching	(401,980,501)	-	-401,980,501
Transfer to the revolving fund	(115,594,525)	115,594,525	-
Surplus for the year	-	428,665,145	426,578,985
Reversal of interest income	-	(805,476)	-805,476
As at June 30, 2024	12,398,822,364	660,656,579	13,057,392,783
As at July 1, 2024	12,398,822,364	660,656,579	13,059,478,943
Transfer to the revolving fund	2,000,000,000	-	2,000,000,000
Surplus for the year	-	237,889,542	237,889,542
As at June 30, 2025	14,398,822,364	898,546,121	15,297,368,485

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

	Notes	2024-2025	2023-2024
		Kshs	Kshs
Cash flows from operating activities			
Interest received			
Safaricom interest income		74,066,783	138,084,402
Other telco's interest income		24,602	915,061
Transfer from the state department of MSMEs		10,000,000	
Total receipts		84,091,385	138,999,462
Payments			
Use of goods and services		77,461,342	154,040,328
Employee costs		15,692,563	-
Board Expenses		13,239,595	6,122,804
Total payments		(106,393,500)	(160,163,132)
Net cash flows used in operating activities	20	(22,302,115)	(21,163,670)
Cash flows from investing activities			
Purchase of PPE and Intangible assets		(15,054,772)	(14,027,892)
Loans disbursement		(17,937,605,028)	(22,255,837,948)
Loan repayment		16,414,566,364	20,468,960,123
Purchase of KCB Bank demand deposits		(1,750,845,110)	-
Net cash flows used in investing activities		(3,288,938,546)	(1,800,905,717)
Cash flows from financing activities			
Clients Savings		1,363,260,978	1,352,000,569
Revolving Fund		2,000,000,000	810,000,000
Net cash flows from financing Activities		3,363,260,978	2,162,000,569
Net increase in cash & Cash equivalents		52,020,318	339,931,182
Cash and cash equivalents at 1 July	11	3,346,510,887	3,006,579,704
Cash and cash equivalents at 30 June	11	3,398,531,204	3,346,510,887

Financial Inclusion Fund (Hustler Fund)

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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
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	c=(a+b)	d	e=(c-d)	f=d/c*100
Budget carryovers from the previous year*	56,712,182	-	56,712,182	56,712,182	-	100%
Interest income received	200,000,000		200,000,000	151,949,252	48,050,748	76%
Transfers from State department of MSMEs	10,000,000	-	10,000,000	10,000,000	-	100%
Total Receipts	266,712,182	-	266,712,182	218,661,434	48,050,748	82%
payments						
Use of Goods and Services	94,000,000	-	94,000,000	77,987,485	16,012,516	83%
Employee costs	16,000,000	-	16,000,000	15,692,563	307,437	98%
Remuneration of Directors	21,712,000	-	21,712,000	13,239,595	8,472,405	61%
Total Payments	131,712,000	-	131,712,000	106,919,643	24,792,358	81%
Capital Expenditure Payments	131,500,182	-	131,500,182	15,054,772	119,945,410	11%
Surplus				96,687,019		

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Budget notes

1. All significant underutilization below 90% were occasioned by lack of a full-time dedicated staff at the fund. The fund relies on seconded staff from the state department of MSMEs who have to juggle between their roles at the mother department and the fund, hence not dedicating their entire time on their roles at the fund. Furthermore, they are seconded for a period as little as 6 months which is not enough to be involved in any meaningful engagement. (IPSAS 24.14)
2. There was no change in the original budget in the year

Budget Reconciliation

Description of Particulars	Amount in Kshs
Actual Surplus Amounts as per the statement of Budget	96,687,019
1 Add: Accrued Interest Income Not Yet Received	579,720,178
2 Add: Opening Cash & Cash Equivalents (Brought Forward)	3,346,510,887
3 Add/(Less): Other Cash Inflows/(Outflows) not in the Operating Budget	(624,386,880)
4 Less: Prior Year Payables & Other Cash Outflows Settled	-
Closing Cash and Cash Equivalent as per the statement of Cash flows	3,398,531,204

Financial Inclusion Fund (Hustler Fund)
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19. Notes to the Financial Statements

1. General Information

The Financial Inclusion Fund (FIF) was established 2022 under the provisions of the section 24(4) of the Public Finance Management Act, 2012. FIF is headquartered in Nairobi, Kenya.

FIF represents a significant initiative aimed at providing crucial financial services to individuals at the bottom of the economic pyramid. Its inception in November 2023, following a collaborative effort between private sector experts and public officials, marks a milestone in the realm of Public-Private Partnerships. The Fund's core mission is to comprehensively empower its target audience by focusing on pillars such as affordable credit, competitive savings products, financial literacy, universal health care, and goal-based investments.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

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

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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	<i>Applicable 1st January 2025</i> 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.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.
IPSAS 45: Property Plant and Equipment	<i>Applicable 1st January 2025</i> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets,

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	under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46: Measurement	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
IPSAS 47: Revenue	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
IPSAS 48: Transfer Expenses	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
IPSAS 49: Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p>

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	<ul style="list-style-type: none">i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.
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iii. Early adoption of standards

Financial Inclusion Fund (Hustler Fund) did not early – adopt any new or amended standards in the financial year

Financial Inclusion Fund (Hustler Fund)
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Notes to the financial statements (continued)

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Taxes, Levies and fines

Financial Inclusion Fund (Hustler Fund) recognizes revenues from taxes, levies, and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to Financial Inclusion Fund (Hustler Fund) and the fair value of the asset can be measured reliably.

Transfers from other government entities

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

ii) Revenue from exchange transactions

Rendering of services

FIF does not recognize revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Financial Inclusion Fund (Hustler Fund)
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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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 FIF.

Interest income

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

b) Budget information

The original budget for the FY 2024-2025 was approved by the National Assembly on 26th June 2023. No subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. No additional appropriations were added to the original budget by the FIF in order to conclude the final budget.

Financial Inclusion Fund (Hustler Fund)
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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Budget information (continued)

FIF budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In 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 cash flows has been presented under section 18 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 FIF operates and generates taxable income. 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.

Financial Inclusion Fund (Hustler Fund)
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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable *FIF* and the same taxation authority.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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

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 Entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

e) Intangible assets

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

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f) Research and development costs

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

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

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

g) Financial instruments

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

a) Financial assets

Classification of financial assets

FIF 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 FIF'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

Financial Inclusion Fund (Hustler Fund)
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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.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Trade and other receivables

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

Financial Inclusion Fund (Hustler Fund)
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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Fair value through surplus or deficit

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

b) Financial liabilities

Classification

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

h) Provisions

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

i) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

j) Contingent liabilities

FIF 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.

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k) Contingent assets

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

l) Nature and purpose of reserves

FIF does not create or maintain reserves in terms of specific requirements.

m) Changes in accounting policies and estimates

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

n) Related parties

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

o) Service concession arrangements

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

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

p) Cash and cash equivalents

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

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.

r) Subsequent events

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty

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

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. FIF 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 FIF. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual value

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

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

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Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

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Notes to the Financial Statements (Continued)

6(a) Interest income from Loans

Description	2024-2025	Restated 2023-	2023-2024
	KShs	2024	KShs
Interest income from Loans			
Safaricom	676,179,245	908,733,015	906,426,271
Other Telcos	224,601	403,293	49,428,131
Total Interest income	676,403,846	909,136,308	955,854,402

Note: This note explains the restatement of interest income for the financial year 2023–2024 as reflected in the comparative figures.

The column labelled "Restated 2023–2024" shows revised interest income totals for Safaricom, Other Telcos, and the overall interest income, differing from the figures originally reported under "2023–2024." The restatement follows a thorough reconciliation with telco partners, resulting in a refined and accurate interest income figure for 2023–2024.

6(b) Transfer from State department of MSMEs

Description	2024-2025	2023-2024
	KShs	KShs
Transfer from State department of MSMEs	10,000,000	-
Total	10,000,000	-

6. Cashflow income

Description	2024-2025	2023-2024
	KShs	KShs
Cashflow income		
Safaricom received interest income	73,921,086	138,084,402
Other Telcos received interest income	170,299	915,061
Total Cashflow income	74,091,385	138,999,462

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Notes to the Financial Statements (Continued)

Detailed Analysis of the Cash and Cash Equivalents

Financial Institution	Account number	2024-2025	2023-2024
		Kshs	Kshs
KCB Bankika	1309121575	-	437,690
Family Bank Operations	012000053968	10,000	-
KCB Entrepreneur	1309394105	35,741,318	-
KCB Custody	1305590139	414,925	
KCB operation Account	1316084736	9,369,699	47,613,258
KCB Short term investment	1325860018	266,099,777	-
KCB Long-term investment	1326714368	543,657,150	-
Family Bank Savings Custody	012000053701	-	175,312,824
Family bank principal loan	012000052963	150,000,000	-
Mpesa float balance at Safcom		66,288,591	38,094,937
Principal float balance at other telcos-Telkom		2,821,551	6,123,170
Family bank Hustler fund Paybill -Revenue	5000000027785571005	285,472	-
Family bank Hustler fund Paybill -Repayment loan	500000002778570999	(805,412)	-
Clients Savings in clients account		2,324,648,133	3,708,929,008
Grand Total		3,398,531,204	3,346,510,887

Financial Inclusion Fund (Hustler Fund)
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Notes to the Financial Statements (Continued)

11. Receivables from Exchange Transactions

(a) Receivables from Exchange Transactions

Description	2024-2025	Restated 2023-2024	2023-2024
	Kshs	Kshs	Kshs
Receivables			
Interest Receivable from Loans	1,622,381,748	1,097,833,153	1,199,641,809
Interest Receivable from service providers	1,836,240	-	-
Duplicated disbursed Telkom	-	2,520,146	2,520,146
Duplicate airtel	-	5,280,469	5,280,469
Suspense Safaricom	-	12,174,624	12,174,624
Suspense Telkom	-	574,141	574,141
Airtel suspense	-	301,240	301,240
Airtel deposit error on repayment	-	-984,705	-984,705
Client Saving receivable	-	18,905,230	18,905,230
Principal repayment of Loans	13,608,730,683	12,085,692,019	12,333,495,176
Total Current Receivables	15,232,948,671	13,222,296,317	13,571,908,132

Note: This note clarifies the restatement of the 2023–2024 receivables balances, as reflected in the updated financial schedules.

The restatement was necessary to ensure the accurate and correct presentation of receivables by:

- i. Correcting Accounting Errors – Certain amounts previously recognized as receivables were identified as duplicated entries or suspense items that should not have been recorded as valid receivables in the original figures.
- ii. Reclassifying Balances – Several items, including interest receivable from service providers, duplicated disbursements, and suspense balances, have been properly classified or removed.
- iii. Updating for Reconciliations – Adjustments were made following detailed reconciliation with service providers and internal reviews, ensuring all receivable balances reflect genuine, recoverable amounts

Financial Inclusion Fund (Hustler Fund)
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Notes to the Financial Statements (Continued)

(b) Ageing analysis for Receivables from exchange transactions

Description	2024-2025		2023-2024	
	Kshs		Kshs	
	2024-2025	% of the total	2023-2024	% of the total
Less than 1 year	-	%	-	%
Between 1- 2 years	15,080,619,184	99%	13,090,073,354	99%
Between 2-3 years	152,329,487	1%	132,222,963	1%
Over 3 years	-	%	-	%
Total (a+b)	15,232,948,671	%	13,222,296,317	%

12. Customers Savings

Description	2024-2025	Restated 2023-2024	2023-2024
	Kshs	Kshs	Kshs
Opening Customer Savings	2,929,559,813	1,381,990,403	1,500,260,763
Customer Contributions plus interest	1,363,260,978	1,007,838,689	1,046,987,308
Interest on Savings	-	137,750,220	323,918,490
Amount paid as matching by FIF (Revolving fund)	-	401,980,501	401,980,501
Total Customers Savings	4,292,820,791	2,929,559,813	3,273,147,062

Note: This note clarifies the restatement of Customer Savings for the financial year 2023–2024, which impacts the opening balance for 2024–2025.

The restatement was necessary due to corrections identified during the year-end reconciliation and audit. The primary adjustments were as follows:

- i. A portion of interest originally credited to customer savings has been reallocated based on updated actuarial and accounting guidance. This adjustment reduced “Interest on Savings” from KShs 323,918,490 to KShs 137,750,220 to align with actual interest earned and payable to customers.

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Notes to the Financial Statements (Continued)

- ii. The Opening Customer Savings balance for 2023–2024 has been restated from KShs 1,500,260,763 to KShs 1,381,990,403, reflecting a prior-period adjustment related to interest accruals that had been incorrectly recorded in the previous year.
- iii. Customer Contributions plus interest has been adjusted from KShs 1,046,987,308 to KShs 1,007,838,689 following a reconciliation of actual customer remittances and interest application.

As a result of the above adjustments, the closing total Customer Savings for 2023–2024 has been restated to KShs 2,929,559,813, which now serves as the accurate opening balance for the 2024–2025 financial year.

13. Trade and other payables

Description	2024-2025	Restated 2023-2024	2023-2024
	Kshs	Kshs	Kshs
Interest payable to partners	817,299,492	555,025,195	599,820,906
Total Trade and other payables	817,299,492	555,025,195	599,820,906

Note: This note clarifies the restatement of the Interest Payable to Partners balance for the financial year 2023–2024, as reflected in the updated Trade and Other Payables schedule.

The restatement was necessary to accurately reflect the Fund’s outstanding obligation to partners based on verified partner-level interest calculations and reconciliation. The key adjustments include:

- i. The amount previously reported as Interest Payable to Partners (KShs 599,820,906) was adjusted to KShs 555,025,195 following a detailed review of the underlying loan portfolio and corresponding interest accruals. This adjustment removes over-accrued interest and aligns the payable with actual partner entitlement based on recoveries and contractual terms.
- ii. The restated figure results from a thorough reconciliation with statements received from service provider partners, ensuring the payable reflects only validated, contractually due amounts.

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Notes to the Financial Statements (Continued)

The restated balance of KShs 555,025,195 now serves as the accurate opening payable for the 2024–2025 period, ensuring a correct starting point for the current year’s transactions and reporting.

14. Loan Disbursement

Description	2024-2025	Restated 2023-2024 Balances	2023-2024
	Kshs	Kshs	Kshs
Telecos disbursement	72,303,505,682	54,365,900,654	22,255,837,948
Other disbursements	-	-	-
Grand total	72,303,505,682	54,365,900,654	22,255,837,948

Note : This note clarifies the significant restatement of the Telecos Disbursement balance for the financial year 2023–2024, as reflected in the updated financial schedule.

The substantial increase from the originally reported figure of KShs 22,255,837,948 to the restated balance of KShs 54,365,900,654 was required due to a comprehensive reconciliation and reclassification exercise. A significant volume of disbursement transactions, which were processed and financed by the Fund in the 2023–2024 period and prior year, were not captured.

The Restated 2023–2024 Balances column now presents the accurate and complete financial position at the end of that fiscal year.

This corrected closing balance (KShs 54,365,900,654) serves as the proper foundation for the 2024–2025 opening position and explains the significant activity reflected in the current year.

15. Loan Repayment

Description	2024-2025	Restated 2023- 2024 Balances	2023-2024
	Kshs	Kshs	Kshs
Safaricom	58,478,761,968	42,090,924,632	20,426,198,285
Other Telcos	216,013,031	189,284,003	42,761,838
Grand total	58,694,774,999	42,280,208,635	20,468,960,123

Note: This note clarifies the material restatement of the Telcos Disbursement balances for the financial year 2023–2024, specifically for Safaricom and Other Telcos, as reflected in the updated schedule.

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Notes to the Financial Statements (Continued)

The substantial increase from the originally reported figure of KShs 42,280,208,635 to the restated balance of KShs 58,694,774,999 was required due to a comprehensive reconciliation and reclassification exercise. A significant volume of disbursement transactions, which were processed and financed by the Fund in the 2023–2024 period and prior year, were not captured.

The corrections done were as follows:

- i. Safaricom: Restated to KShs 42,090,924,632 from KShs 20,426,198,285. This adjustment reflects the inclusion of the majority of previously unreported disbursement activity.
- ii. Other Telcos: Restated to KShs 189,284,003 from KShs 42,761,838, correcting under-reporting for other telecommunications partners.
- iii. Grand Total: Restated to KShs 42,280,208,635 from KShs 20,468,960,123.

The restated balances for 2023–2024 now provide a complete and accurate record of disbursements made during that fiscal year.

16. Investment in demand deposits

Description	2024-2025	2023-2024
	Kshs	Kshs
KCB Bank Demand deposits	1,750,845,110	-
Total	1,750,845,110	-

17. Revolving fund

Description	2024-2025	2023-2024
	Kshs	Kshs
Transfer from State Department of MSMEs	2,000,000,000	12,800,000,000
Total	14,800,000,000	12,800,000,000

Financial Inclusion Fund (Hustler Fund)
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Notes to the Financial Statements (Continued)

18. Property, Plant and Equipment

Cost	Motor vehicles	Office Equipment	Total
	Kshs	Kshs	Kshs
As At 1 July 2023	-	-	
Additions	9,085,000	4,942,892	14,027,892
As at 30th June 2024	9,085,000	4,942,892	14,027,892
Additions	13,518,000	1,536,772	15,054,772
As at 30th June 2025	22,603,000	6,479,664	29,082,664
Depreciation And Impairment			
At 1 July 2024	-	-	
Depreciation	-	-	
As At 30 th 2025	22,603,000	6,479,664	29,082,664
Depreciation	(2,271,250)	(1,647,631)	(3,918,881)
As at 30th June 2025	20,331,750	4,832,033	25,163,783
Net Book Values			
As at 30th June 2024	9,085,000	4,942,892	14,027,892
As at 30th June 2025	20,331,750	4,832,033	25,163,783

(Include a brief description of WIP as a footer.)

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Notes to the Financial Statements (Continued)

Valuation

18 (b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Motor Vehicles	22,603,000	2,271,250	20,331,750
Office Equipment	6,479,664	1,647,631	4,832,033
Total	29,082,664	3,918,881	25,163,783

Property plant and Equipment includes the following assets that are fully depreciated:

Description	Cost or valuation	Normal annual depreciation charge
Motor Vehicles	22,603,000	2,271,250
Office Equipment	6,479,664	1,647,631
Total	29,082,664	3,918,881

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Notes to the Financial Statements (Continued)

19. Trade and Other Payables

Description	2024-2025		2023-2024	
	Kshs		Kshs	
Trade payables	817,299,492		555,025,195	
Employee payables	-		-	
Other payables	-		-	
Total trade and other payables	817,299,492		555,025,195	
Ageing analysis: (Trade and other payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	-	%	-	%
1-2 years	-	%	555,025,195	100%
2-3 years	817,299,492	100%	-	%
Over 3 years	-	%	-	%
Total (tie to above total)	817,299,492		555,025,195	

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Notes To the Financial Statements (Continued)

20. Cash Generated from Operations

Description	2024-2025	2023-2024
	Kshs	Kshs
Surplus for the year before tax	237,222,952	
Adjusted for:		
Depreciation	3,918,881	-
Non-cash grants received	-	-
Contributed assets	-	-
Impairment	-	-
Gains and losses on disposal of assets	-	-
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
Working capital adjustments	241,141,833	
Increase in inventory	-	-
Increase in receivables	(2,010,652,355)	
Increase in deferred income	-	-
Increase in payables	256,165,679	
Increase in payments received in advance	-	-
Net cash flow from operating activities	(1,513,344,843)	

(The total of this statement should tie to the cash flow section on net cash flows from/ used in operations)

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Notes To the Financial Statements (Continued)

21. Financial Risk Management

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

i) Credit risk

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

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Notes to the Financial Statements (Continued)

Financial Risk Management

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
As at 30th June 2025				
Receivables from exchange transactions	15,232,948,671	15,232,948,671	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	3,398,531,204	3,398,531,204	-	-
Total	18,631,479,875	18,631,479,875	-	-
As at 30 June 2024				
Receivables from exchange transactions	13,571,908,132	13,571,908,132	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	3,346,510,887	3,346,510,887	-	-
Total	16,918,419,019	16,918,419,019	-	-

(NB: The totals column should tie to the individual elements of credit risk disclosed in the Entity's statement of financial position).

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Notes to the Financial Statements (Continued)

Financial Risk Management

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 FIF has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. FIF has significant concentration of credit risk on amounts due from clients' loans. The board of directors sets the FIF's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the FIF's directors, who have built an appropriate liquidity risk management framework for the management of the FIF's short, medium and long-term funding and liquidity management requirements. FIF manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the FIF under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30th June 2025				
Trade payables	-	-	817,299,492	817,299,492
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	817,299,492	817,299,492
As at 30th June 2024				
Trade payables	-	-	555,025,195	555,025,195

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Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	555,025,195	555,025,195

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Notes to the Financial Statements (Continued)

Financial Risk Management

iii) Market risk

FIF has put in place an internal audit function to assist it in assessing the risk faced by FIF 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 FIF's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. FIF's Finance Department is 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 FIF's exposure to market risks or the way it manages and measures the risk.

22. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to FIF include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder FIF, holding 100% of the *FIF's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Entity, both domestic and external.

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Other related parties include:

- i) The Parent Ministry.
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) Key management.
- v) Board of directors.

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Notes to the Financial Statements (Continued)

23. Events after the Reporting Period

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

24. Ultimate And Holding Entity

FIF is a State Corporation/ or a Semi-Autonomous Government Agency under the Ministry of Cooperatives and Micro, Small and Medium Enterprises Development. Its ultimate parent is the Government of Kenya.

25. Currency

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

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20. Appendices

Appendix 1: Implementation Status of Auditor-General’s Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Unsupported Cash and Cash Equivalents	The relevant bank balances certificates have been obtained and are now available for review by the auditor	Not Resolved	June 2026
2	Unsupported Receivables	This emanated from system configuration issue that was handled and rectified that amounts	Not Resolved	June 2026
3	Understatement Interest Income	The management noticed the discrepancy in the interest received and has written to KCB demanding the difference of Kshs 16,043,922.	Not Resolved	June 2026

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4	Long Outstanding payables	The management has put in place aggressive collection mechanisms including sensitization that will ensure timely recovery of loans	Not Resolved	June 2026
5	High non-performing payables	The management is implementing a comprehensive and escalated recovery strategy to address the portfolio on non-performing loans.	Not Resolved	June 2026
6	Irregular Closure of accounts	Having looked at the data provided all the loans had been closed after the repayment and we can attribute the error to be data extraction issue.	Not Resolved	June 2026
7	Duplicated Outstanding Loans	The Management has investigated these issues and determined that they stemmed from an error during the data extraction and consolidation process from the service providers system into the funds reporting format.	Not Resolved	June 2026

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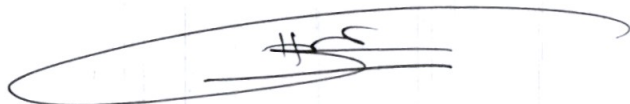
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
8	Over Reliance on the service providers	The management plans to commission a third-party audit specifically targeting the service providers processes and output data to gain temporary assurance	Not Resolved	June 2026
9	Unreceived Revenue from service providers	The management noticed the discrepancy in the interest received and has written to KCB demanding the difference of Kshs 16,043,922.	Not Resolved	June 2026
10	Underage Customers	The management states that the terms and conditions on eligibility of borrowers unequivocally restricts issuance of loans to minors and therefore the telcos cannot issue a loan to an ineligible borrower	Not Resolved	June 2026
11	Budget Control and Performance	The management states that it did not have a dedicated staff complement to manage and execute the funds operational activities for the majority of the financial Year.	Not Resolved	June 2026

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
12	Lack of Procurement Documents for Service Providers	The management states that the requested procurement documents are available for review	Not Resolved	June 2026
13	Staff establishment	The management states that the primary factor preventing the full recruitment as approved by public service is persistent budgetary constraint.	Not Resolved	June 2026
14	Acting Chief Executive Officer for a Period more than Six Months	The management states that a substantive CEO has been duly appointed and has reported for duty concluding the prior acting arrangement.	Not Resolved	June 2026
15	Failure to Establish Internal Audit Unit and Audit Committee	The management states that the board has established a fully constituted Audit committee in full compliance with statutory requirements and actively discharging its mandate.	Not Resolved	June 2026

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
16	Lack of Proper Loan Management System/ERP System	The management states that significant budgetary constraint has inhibited the acquisition of its own loan management system	Not Resolved	June 2026



Henry Tanui

C.E.O Financial Inclusion Fund

Date: 9/12/2025

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Appendix IV: Transfers from Other Government Entities

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/ Others	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund				
Ministry of Cooperatives and MSME's	30/06/2025	Recurrent	10,000,000	10,000,000	10,000,000				10,000,000
Ministry of Cooperatives and MSME's	30/06/2025	Development	2,000,000,000	2,000,000,000	2,000,000,000				2,000,000,000
Total			2,010,000,000	2,010,000,000	2,010,000,000				2,010,000,000

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Appendix V- Inter-Entity Confirmation Letter

Name of Transferring entity: State Department of MSMEs Development


Name of Beneficiary entity: Financial Inclusion Fund (Hustler Fund)

Confirmation of amounts received by Financial Inclusion Fund as at 30th June 2025

Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
FT242069K9NP	24-07-2024		500,000,000	500,000,000	Funded
FT242401MKW6	27-08-2024		500,000,000	500,000,000	Funded
FT24359MOY93	24-12-2024		500,000,000	500,000,000	Funded
FT25106M7J2X	16-04-2025		150,000,000	150,000,000	Funded
FT251061DT9W	16-04-2025		250,000,000	250,000,000	Funded
FT25154FKN94	03-06-2025		100,000,000	100,000,000	
State Departments of MSMEs	30-06-2025	10,000,000	2,000,000,000	2,010,000,000	
Total		10,000,000	2,000,000,000	2,010,000,000	

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

Head of Accounts Department - Disbursing Entity:

Name JACOB MACHARIA Sign  Date 30/06/2025



Head of Accounts Department - Beneficiary Entity:

Name GEOFFREY BABU Sign  Date 30-06-2025