

REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 05 MAR 2026	DAY: Thursday
TABLED BY:	Hon. Owen Bayo, MP Deputy leader of Majority Party
CLERK-AT-TABLE:	A. Shibuko

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REPORT

THE AUDITOR-GENERAL

ON

ULINZI PRIME HEALTH SERVICES FUND

FOR THE YEAR ENDED  
30 JUNE, 2025



OFFICE OF THE AUDITOR GENERAL  
P.O. Box 30084 - 00100, NAIROBI  
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**ULINZI PRIME HEALTH SERVICES FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**30<sup>TH</sup> JUNE 2025**

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

**Ulinzi Prime Health Services 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
CBK	Central Bank of Kenya
DMS	Director Medical Services
DG	Director General
ECL	Expected Credit Loss
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
NDC	National Defence College
NCKK	National Council of Churches of Kenya
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
UPHSF	Ulinzi Prime Health Services Fund

**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**

Ulinzi Prime Health Services Fund was established under the Public Finance Management Act 2012 and the Ulinzi Prime Health Services Fund (UPHSF) Regulations, 2023. The fund is domiciled in Kenya and has its Head Office in Nairobi.

### **(b) Principal Activities**

#### **i. Mandate**

The Purpose and object of the fund is to finance the provision of medical and health services to paying clients of the KDF hospital facilities across the country and in particular:

- facilitate the establishment, modernization, operation and maintenance of KDF hospital facilities;
- fund research and training for the purposes of improving the health services offered by KDF hospital facilities;
- facilitate the purchase of equipment and drugs for the KDF hospital facilities;
- provide fund for administration expenses including payment of salaries, allowances, pensions, gratuity and other services for its employees.

#### **ii. Vision**

The vision of the fund is to provide advanced affordable health services to KDF Personnel, their dependants and civilians.

#### **iii. Mission**

The Mission of the fund is provision of high standards of health services to eligible civilians in KDF facilities, leveraging on modernized facilities and highly specialized workforce.

*Ministry of Defence Receiver of Revenue  
Revenue Statements for the year ended 30<sup>th</sup> June 2025*

**(c) Key management**

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

- i) Defence Council
- ii) Advisory Board

**(d) Fiduciary Management**

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

Name	Appointment	Qualifications	Responsibility
Brig (Dr) A Odhiambo	Managing Director	BDS, MDS	Heading the Secretariat
Col E M Mutinda	Deputy Managing Director	BSc	Chief Operations Officer
Col R W Mungai	Finance Manager	BSc	Overseeing Financial Management and reporting
Col J K Mutai	Business Development Manager	BA	General in charge of liaison between UHSF and partners
Lt Col (Dr) D Kungu	Medical Logistics Manager	BPharm, MBA	Oversees general logistics of the fund

**(e) Fiduciary Oversight Arrangements**

Name	Appointment	Qualifications	Responsibility
Dr. Patrick Mariru, PhD	Principal Secretary Ministry of Defence	PhD	Fund Administrator and Chair of the Advisory Board
Brig (Dr) Japheth Ndegwa	Director of Medical Services	MBChB MMed	Member
Dr. Patrick Amoth	Director General Ministry of Health	MBChB MMed	Member
Brig N Kemei	Chief of Finance	MBA	Member
Brig Moses Leriari	Director Military Veterans Association	MA	Member
Mrs. Electina Wanyonyi	Head of Accounting Unit MOD	MBA, CPA	Member

**Ministry of Defence Receiver of Revenue**  
**Revenue Statements for the year ended 30<sup>th</sup> June 2025**

Mr. Benson Githua	National Treasury Rep	MBA	Member
Dr. Lilian Nzavi	DHRM/D MOD	PhD	Member
Brig (Dr) Muithya Ngundo	Chief of Medical	MBCChB MMed	Member
Brig (Dr) Atanasias Odhiambo	MD UHSF	BDS, MDS	Board Secretary

**(e) Headquarters**

P.O. Box 40668-00100  
Ulinzi House  
Lenana Road  
Nairobi, KENYA

**(f) Ministry Contacts**

Telephone: (254) 020-2721100  
E-mail: [ps@mod.go.ke](mailto:ps@mod.go.ke)  
Website: [www.mod.go.ke](http://www.mod.go.ke)

**(g) Independent Auditors**

Auditor General  
Anniversary Towers, University Way  
P. O. Box 30084

GPO 00100  
Nairobi, Kenya

**(h) Principal Legal Adviser**

Attorney General  
P. O. Box 40112-00100 Nairobi  
Telephone: (254) 2227461/  
2251355  
E-mail: [communications@ag.go.ke](mailto:communications@ag.go.ke)  
Website: [www.go.ke](http://www.go.ke)

**(i) Bankers**

Central Bank Of Kenya  
P. O. Box 60000-00200 Nairobi.  
Telephone: (254) 202860000  
E-mail: [comms@centralbank.go.ke](mailto:comms@centralbank.go.ke)  
Website: [www.centralbank.go.ke](http://www.centralbank.go.ke)

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**3. The Defence Council**

Ref	Directors	Details
1.	Cabinet Secretary	Hon. Roselinda Soipan Tuyu
2.	Principal Secretary and Accounting Officer	Dr. Patrick Mariru, PhD, CBS
3.	The Chief of the Defence Forces	Gen. Charles M Kahariri CBS 'nwc' (USA) 'psc' (K)
4.	The Commander Kenya Army	Lt. Gen David Tarus CBS 'ndc' (K) 'cgsc' (USA) 'psc' (K)
5.	Commander Kenya Air Force	Maj Gen. Fatuma G Ahmed CBS OGW 'ndc' 'psc' (K)
6.	Commander Kenya Navy	Maj Gen. Paul Owuor Otieno EBS 'ndc' 'psc' (K)

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**4. Key Management Team**

<b>Name</b>	<b>Appointment</b>	<b>Qualifications</b>	<b>Responsibility</b>
Dr. Patrick Mariru	Principal Secretary Ministry of Defence	PhD	Fund Administrator and Chair of the Advisory Board
Brig (Dr) A Odhiambo	Managing Director	BDS, MDS	Heading the Secretariat
Col E M Mutinda	Deputy Managing Director	BSc	Chief Operations Officer
Col R W Mungai	Finance Manager	BSc	Overseeing Financial Management and reporting
Col J K Mutai	Business Development Manager	BA	General in charge of liaison between UHSF and partners
Lt Col (Dr) D Kungu	Medical Logistics Manager	BPharm, MBA	Oversees general logistics of the fund

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**5. Chairperson's Statement**

**Introduction**

1. This year marks a defining moment for UHSF as we align our strategic vision with the Government's Universal Health Coverage (UHC) agenda. The official launch of UHSF on 16 April 2025 by the Commander-in-Chief was not only symbolic but a clear statement of intent: to leverage KDF's advanced medical infrastructure for broader national health objectives.

2. The UHSF was established to support and strengthen the delivery of healthcare services within the Kenya Defence Forces (KDF) medical system. The fund enables military hospitals, particularly Level 4 and Level 5 facilities, to offer quality health services to paying clients, including military dependents, veterans, and Defence Community. This initiative complements the National Universal Health Coverage (UHC) agenda by creating a sustainable, well-managed financing model within public health infrastructure.

**Objectives**

3. The main objectives of the Ulinzi Health Service Fund are:
- a. To mobilize and manage resources for the provision of health services.
  - b. To ensure financial sustainability of KDF Level 4 and 5 hospitals.
  - c. To enhance the quality and accessibility of specialized healthcare for paying clients.
  - d. To complement government efforts in achieving UHC by expanding service options through public military hospitals.

**Vision**

4. Providing a sustainable health service to the Defence Community.

**Mission**

5. To offer an integrated quality affordable equitable healthcare for the Defence Community.

**Mandate**

6. The purpose and objective of the Fund is to finance the provision of medical and health services to paying clients of the Kenya Defence Forces hospital facilities across the country.

**Business Model**

7. UHSF adopted Social Enterprise Business model (SEM) which is designed to solve social problems or improve community welfare while generating revenue to sustain its operations. It balances between making an impact which is a social mission and maintaining financial sustainability by embracing the business principles. This model is ideal to UHSF as the entity seeks to provide a platform to intervene on medical issues to the Defence community. It is not motivated by profits but seek to solve a gap in administering Defence community on matters health.



HON. SOIPAN TUYU, EGH/ CABINET SECRETARY

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**6. Report of the Managing Director**

**Introduction**

Ulinzi Prime Health Services Fund (UPHSF) later renamed Ulinzi Health Services Fund (UHSF) was established to strengthen healthcare delivery within the KDF medical system while contributing to the Government's Universal Health Coverage (UHC) agenda. Its financial objectives include ensuring sustainability, cost recovery, and reinvestment into infrastructure and human resource development. This report provides an analysis of UHSF's financial performance for FY 2024/2025 and evaluates outcomes against actuarial projections designed to support long-term viability of the Fund.

**Financial Performance Overview** - For the financial year ended 30 June 2025, UHSF recorded total revenue of Kshs.883,911,391, primarily from MOD internal Grant, insurance partnerships and direct client payments. Expenditure amounted to Kshs.739,799,783 focusing on Capital and Operational expenses. This resulted in a surplus of KShs.144,111,608, which was carried forward to support future operations and capital investments.

The revenue mix reflects successful onboarding of major insurance partners such as DEFMIS, Pacis, Madison, Britam, Kenyan Alliance, SHA, and Old Mutual. These partnerships have broadened the Fund's financial base and reduced reliance on government allocations. Expenditure patterns indicate strategic prioritization of operational efficiency and service delivery improvements.

**Comparison with Actuarial Projections** - Actuarial projections for UHSF emphasized sustainability through cost recovery and reinvestment. The recorded surplus of approximately KShs.144,111,608 million suggests performance within expected parameters, signaling prudent financial management. Secondly, expenditure for UHSF started in Q3 for the FY under review which occasioned a low absorption rate. Revenue generation exceeded initial uptake assumptions due to strong insurance partnerships, while expenditure remained controlled despite capital investments.

However, actuarial models anticipated gradual civilian uptake, which remains below optimal levels due to infrastructural and human resource constraints. This variance underscores the need for accelerated awareness campaigns and phased facility upgrades to fully realize projected revenue streams.

**Key Drivers and Constraints** - Key drivers of financial performance included strategic partnerships with insurers, deployment of robust financial systems, and capital investments in medical and ICT infrastructure. These initiatives enhanced operational efficiency and positioned UHSF for growth.

Challenges persisted in the form of limited bed capacity for civilian patients, shortages of specialized professionals, and ICT gaps. These factors constrained service uptake and, by extension, revenue potential. Addressing these challenges through targeted recruitment, infrastructure expansion, and technology deployment remains critical to sustaining financial performance.

**Conclusion and Recommendations** - Overall, UHSF's financial performance for FY 2024/2025 aligns broadly with actuarial projections, demonstrating resilience and strategic foresight. The surplus achieved provides a strong foundation for reinvestment into modernization and capacity building. To maintain this trajectory, UHSF should:

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- i). Accelerate ICT system deployment to improve operational efficiency.
- ii). Expand awareness campaigns to boost civilian uptake and revenue diversification through expanded programs e.g. wellness clinics.
- iii). Strengthen human resource capacity through recruitment and specialized training.
- iv). Enhance monitoring and evaluation frameworks to track financial and operational performance against actuarial benchmarks.

These measures will ensure UHSF remains financially sustainable while fulfilling its mandate to deliver quality healthcare and support the Government's UHC agenda.

I, sincerely thank the Defence Council, the Advisory Board, the Secretariat and staff, as well as all stakeholders for guidance and unwavering support. We are excited about the opportunities ahead and look forward to your support and cooperation in achieving our performance objectives in the year ahead.



Brigadier (Dr) A Odhiambo

MANAGING DIRECTOR

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

During the financial year 2024/2025, Ulinzi Prime Health Services Fund (UHSF) recorded significant milestones aligned with its mandate to strengthen healthcare delivery within the Kenya Defence Forces (KDF) medical system. These achievements reflect the Fund's commitment to operational excellence and strategic growth.

**a. Official Launch** - The official launch of UHSF on 16 April 2025 by the Commander-in-Chief signaled the operationalization of the Fund and its readiness to deliver quality healthcare services to both military personnel and civilians. This event marked a historic milestone and laid the foundation for future growth and service delivery improvements.

**b. Strategic Partnerships** - To broaden service accessibility and create sustainable revenue streams, UHSF signed contracts with leading insurance companies including DEFMIS, Pacis, Madison, Britam, Kenyan Alliance, SHA, and Old Mutual. Continuous engagements with additional firms are ongoing to expand coverage. These partnerships are expected to enhance financial stability and improve healthcare coverage for beneficiaries.

**c. Financial Systems Setup** - A robust financial system was implemented to track inbound claims (revenue generated by hospitals) and outbound claims (bills payable to suppliers). This system ensures timely reconciliation and payments, strengthening supplier relations and improving operational efficiency.

**d. Capital Investments** - Procurement processes for critical infrastructure were completed, including acquisition of a high-roof van, office computers, furniture, printers, scanners, and essential medical equipment. Medical supplies formed the significant spend for the year, underscoring UHSF's commitment to improving healthcare delivery in KDF hospitals.

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**8. Corporate Governance Statement**

**a) Appointment and Removal of Board Members**

The Advisory Board is established under Regulation 9 of the Public Finance Management (Ulinzi Prime Health Services Fund) Regulations, 2023. Members are appointed by the Defence Council and include representatives from the Ministry of Defence, National Treasury, Ministry of Health, and other key offices. The Managing Director serves as Secretary. The Board may co-opt members as necessary. Removal of members follows Defence Council procedures and is guided by governance principles to ensure continuity and succession planning.

**Board Size, Diversity, and Charter**

The Board comprises 9 core members with diverse expertise in defence, health, finance, and governance. Gender balance and representation from strategic institutions are emphasized. A Board Charter is being fine-tuned to guide operations, roles, and ethical standards, ensuring transparency and accountability.

**b) Roles and Functions of the Board**

The Board provides technical oversight, policy recommendations, and monitors implementation of the Fund's objectives. Key functions include reviewing statutory reports, advising on administration, recommending funding ceilings, and facilitating public awareness.

**c) Induction, Training, and Development**

New members undergo structured induction programs covering governance, financial management, and compliance. Continuous professional development is supported through workshops and specialized training sessions.

**d) Board and Members Performance**

Performance evaluations are conducted annually using KPIs aligned to governance standards. Governance audits supplement these evaluations to ensure accountability and continuous improvement.

**e) Board Meetings and Attendance**

The Board meets quarterly, with a minimum of four meetings per financial year as per Regulation 10. Attendance records are maintained, and quorum is set at five members.

**f) Succession Planning**

Succession planning is overseen by the Defence Council to ensure continuity in leadership and governance. Structured appointment processes and talent development initiatives support this objective.

**g) Policy to Manage Conflicts of Interest**

The Board adheres to a strict conflict of interest policy requiring disclosure and recusal where necessary. Compliance is monitored through declarations and governance audits.

**h) Board Remuneration**

Remuneration is based on allowances approved under MOD and PFMA guidelines, ensuring fairness and compliance with public sector standards.

**i) Ethics and Conduct**

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Board members uphold the Public Service Code of Conduct and Anti-Corruption measures. Ethical behaviour is reinforced through training and governance audits.

**j) Governance Audit**

Annual governance audits are conducted by external auditors to assess compliance, integrity, and effectiveness of governance structures. Findings inform continuous improvement initiatives.

**k) Communication Policy**

The Board maintains structured communication channels, including quarterly reports to the Defence Council and stakeholder engagement forums. Transparency is prioritized in all communications.

**l) Terms of Reference of Committees**

The Board has constituted specialized committees to handle finance, audit, and technical matters. Each committee operates under approved terms of reference and reports to the Board.

**m) Policy on Related Party Transactions**

Related party transactions are managed under PFM Act and Public Procurement and Assets Disposal act and regulations to prevent conflicts and ensure value for money. All transactions undergo rigorous compliance checks.

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**9. Management Discussion and Analysis**

a) **Operational Performance** - The operational performance of UHSF during the review period reflects a successful transition from planning to implementation. Initial service uptake in KDF hospitals has shown promising trends, supported by recruitment and training programs designed to address human resource gaps.

b) **Financial Performance** - Revenue streams were primarily derived from insurance partnerships and direct client payments. Expenditure focused on ICT infrastructure development, staff training, and procurement of essential medical supplies and equipment. These financial decisions were guided by the need to strengthen operational capacity and improve service delivery.

c) **Compliance and Governance** - Compliance with statutory requirements remained a priority, with full adherence to IPSAS and the Public Finance Management Act. No material arrears in statutory obligations were reported, underscoring UHSF's commitment to sound governance and accountability.

d) **Key Risks** - Despite notable progress, certain risks persist. These include limited bed capacity for civilian patients, shortages of specialized medical professionals, ICT infrastructure gaps, and credit defaulter risks. Addressing these challenges will be critical to sustaining growth and service quality. Future Outlook - Looking ahead, UHSF plans to accelerate ICT system deployment to enhance operational efficiency, expand awareness campaigns to increase civilian uptake, and explore additional revenue streams through strategic partnerships. These initiatives are expected to strengthen the Fund's position and ensure sustainable growth.

Table .....Facility Workload (encounters) Summary FY 2024-25

S/NO	FACILITY	DEPT	DEFMIS	DEFWES	SHA	TOTAL	GRAND TOTAL
1	DFMH	OPD	1566	110		1676	1740
		IPD	59	5		64	
2	NRH	OPD	1930	190	10	2130	2238
		IPD	85	23		108	
3	IRH	OPD	1348	3		1351	1369
		IPD	17	1		18	
4	ERH	OPD	794	2		796	802
		IPD	5	1		6	
5	LRH	OPD	248	0		248	249
		IPD	1	0		1	
	TOTAL	OPD	5886	305	10	6201	6398
		IPD	167	30	0	197	
GRAND TOTAL			6053	335	10	6398	

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

**i) Sustainability Strategy** - UHSF's sustainability strategy is firmly anchored on the Sustainable Development Goals (SDGs), with a particular focus on health, gender equality, and responsible consumption. The Fund has adopted policies that emphasize resource efficiency, community engagement and public participation. This strategy ensures that all operations align with global best practices for sustainable development.

Use of existing MOD running contracts ensures value for money and provision of quality products to KDF hospitals. Key elements of the strategy include integrating sustainability into procurement processes, reducing environmental impact through green initiatives, and promoting social equity.

UHSF also prioritizes partnerships with organizations that share similar sustainability values, ensuring that its impact extends beyond healthcare into broader societal benefits.

**ii) Environmental Performance** - Environmental initiatives undertaken by UHSF include waste segregation and recycling programs in military hospitals, reduction of paper usage through automation of financial and medical records, and vehicle maintenance programs aimed at minimizing carbon emissions.

The Fund employs energy-efficient systems in its offices and hospitals through N-Computing, reducing electricity consumption and promoting renewable energy sources where feasible. Water conservation measures have also been implemented, including installation of low-flow fixtures and rainwater harvesting systems. These efforts collectively contribute to reducing UHSF's carbon footprint and promoting environmental stewardship.

**iii) Welfare** - Employee welfare remains a cornerstone of UHSF's sustainability agenda. Recruitment policies promote gender balance while compliance with the Occupational Safety and Health Act (OSHA) ensures safe working environments.

The Fund has implemented wellness programs that include fitness initiatives and flexible work arrangements to enhance employee satisfaction and productivity. Training programs on sustainability and ethical practices are regularly conducted to empower employees to contribute to the organization's sustainability goals.

**iv) Practices** - Marketplace practices emphasize fair competition, anti-corruption measures in procurement by using already established MOD Contracts, and the adoption of cashless payment systems through e-Citizen to enhance transparency and accountability.

UHSF ensures responsible supply chain management by engaging suppliers who adhere to ethical and environmental standards. Marketing and citizen engagement strategies are designed to promote awareness of sustainable healthcare practices, while product stewardship initiatives focus on educating stakeholders about responsible consumption and health services.

**v) Corporate Social Responsibility (CSR)** - CSR initiatives have been actively pursued, including free medical camps for veterans and local communities in conjunction with DEFMIS, tree-planting programs in collaboration with KDF environmental units, and specifically adoption of the Ruiru Dam Tree Planting program.

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Additional CSR activities include health awareness campaigns during Customer Service Week, World Aids Day activities, and partnerships with local organizations to support community development projects. These efforts collectively underscore UHSF's commitment to environmental stewardship, social responsibility, and sustainable development.

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**11: Report of the Council**

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

**i) Principal activities**

The principal activities of the Entity are stated in page iv.

**ii) Results**

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

**iii) Directors**

The members of the Board of Directors who served during the year are shown on page vii.

**iv) Auditors**

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

By Order of the Board



Name: Dr. Patrick Mariru, PhD, CBS

Secretary to the Defence Council.

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**12. Statement of Council Responsibilities**

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

The Directors are responsible for the preparation and presentation of the financial statements, which give a true and fair view of the state of affairs of the Entity 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 Entity; (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 UPHSF; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the UPHSF financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and The Public Finance Management (Ulinzi Prime Health Services Fund) Regulations, 2023. The Directors are of the opinion that the *Entity'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 UPHSF's financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the UPHSF, which have been relied upon in the preparation of the UPHSF financial statements as well as the adequacy of the systems of internal financial control. In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern.

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

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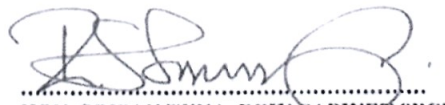
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**Approval of the financial statements**

The Entity's financial statements were approved by the Board on 25/01 2025 and signed on its behalf by:



Name: Dr. Patrick Mariru, PhD, CBS  
Fund Administrator



HON. SOIPAN TUYA, EGH/ CABINET SECRETARY

# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON ULINZI PRIME HEALTH SERVICES FUND FOR THE YEAR ENDED 30 JUNE, 2025**

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of Ulinzi Prime Health Services Fund set out on pages 1 to 68, which comprise of the statement of financial position as at 30 June, 2025, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of Ulinzi Prime Health Services 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 Act, 2012 and the Public Finance Management (Ulinzi Prime Health Services Fund) Regulations, 2023.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Ulinzi Prime Health Services 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 opinion.

### **Key Audit Matters**

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

### **Other Information**

The Management is responsible for the Other Information set out on page iv to xx which comprise of Key Entity Information and Management, The Defence Council, Key Management Team, Chairperson's Statement, Report of the Managing Director, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Council, and Statement of Councils Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Ulinzi Prime Health Services 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, 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 thereon.

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

### **Conclusion**

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

### **Basis for Conclusion**

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

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

### **Conclusion**

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

### **Basis for Conclusion**

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

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

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

In preparing the financial statements, Management is responsible for assessing the 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**

**16 December, 2025**

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

	Notes	FY 2024/2025	FY 2023/2024
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from other governments entities	6	150,000,000	-
Levies, Fines, and penalties	7	-	-
Salaries grants	6	648,686,708	-
Property taxes revenue	9	-	-
Licenses and permits	10	-	-
<b>Total</b>		<b>798,686,708</b>	-
<b>Revenue from exchange transactions</b>			-
Rendering of services	11	60,628,883	-
Sale of goods	12	-	-
Rental revenue from facilities and equipment	13	-	-
Finance income	14	-	-
Other income	15	24,595,800	-
<b>Total revenue</b>		<b>883,911,391</b>	-
<b>Expenses</b>			
Use of goods and services	16	88,789,836	-
Employee costs	17	648,686,708	-
Board Expenses	18	-	-
Depreciation and amortization expense	19	2,323,239	-
Repairs and maintenance	20	-	-
Contracted services	21	-	-
Grants and subsidies	22	-	-
Finance costs	23	-	-
Social Benefits expenses	24	-	-
<b>Total expenses</b>		<b>739,799,783</b>	-
<b>Other gains/(losses)</b>			
Gain/Loss on sale of assets	25	-	-
Gain/Loss on foreign exchange transactions	26	-	-
Gain /Loss on fair value of investments	27	-	-
Impairment loss	28	(-)	-
<b>Surplus/ (deficit) before tax</b>		<b>144,111,608</b>	-
Taxation	29	(-)	-
<b>Surplus/(deficit) for the period/year</b>		<b>144,111,608</b>	-
Remission to National Treasury		-	-
<b>Net Surplus for the year</b>		<b>144,111,608</b>	-

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	Notes	FY 2024/2025	FY 2023/2024
		Kshs	Kshs
Attributable to:			-
Surplus/(deficit) attributable to minority interest		-	-
Surplus attributable to owners of the controlling Entity		-	-
		-	-

The notes set out on pages 11 to 65 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 10 were signed on behalf of the Board of Directors by:

**Name:** Dr. Patrick Mariru, PhD, CBS  
**Fund Administrator**

**Name:** Electina W. Wanyonyi  
**Fund Accountant**  
ICPAK M/No. 3674

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

	Notes	FY 2024/2025	FY 2023/2024
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash equivalents	30	146,593,964	-
Prepayments	31	-	-
Receivables from Exchange Transactions	32	7,746,754	-
Receivables from Non-Exchange Transactions	33	-	-
Inventories	34	-	-
Investments in financial assets	35	-	-
<b>Total Current Assets</b>		<b>154,340,718</b>	-
<b>Non-Current Assets</b>			
Property, Plant and Equipment	36	8,933,382	-
Intangible Assets	37	-	-
Investment Property	38	-	-
Biological Assets	39	-	-
Receivables from Exchange Transactions	32	-	-
<b>Total Non- Current Assets</b>		<b>8,933,382</b>	-
<b>Total Assets (A)</b>		<b>163,274,100</b>	
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payables	40	19,162,492	-
Refundable deposits	41	-	-
prepayments from customers	42	-	-
Current Provision	43	-	-
Finance Lease Obligation	44	-	-
Deferred Income	45	-	-
Employee Benefit Obligation	46	-	-
Borrowings	47	-	-
Social Benefits	48	-	-
Taxation	52	-	-
<b>Total Current Liabilities</b>		<b>19,162,492</b>	-
<b>Non-Current Liabilities</b>			
Non-Current Employee Benefit Obligation	46	-	-
Borrowings	47	-	-
Non-Current Provisions	49	-	-
Service Concession Liability	50	-	-

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	Notes	FY 2024/2025	FY 2023/2024
		Kshs	Kshs
Deferred Tax Liabilities	53	-	-
<b>Total Non- Current Liabilities</b>		-	-
<b>Total Liabilities (B)</b>		19,162,492	-
<b>Net Assets (A-B)</b>		144,111,608	-
<b>Represented by:</b>			-
Reserves		-	-
Accumulated Surplus		144,111,608	-
Capital Fund		-	-
<b>Net Assets</b>		144,111,608	-

The financial statements set out on pages 1 to 10 were signed on behalf of the Board of Directors by:

**Name:** Dr. Patrick Mariru, PhD, CBS  
**Fund Administrator**

**Name:** Electina W. Wanyonyi  
**Fund Accountant**  
ICPAK M/No. 3674

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

Description	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Grants/Fund	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
<b>As at July 1, 2023</b>	-	-	-	-	-	-	-
Issued new capital	-	-	-	-	-	-	-
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Fair value adjustment on investments	-	-	-	-	-	-	-
Surplus/ deficit for the year	-	-	-	-	-	-	-
Capital/development grants received during the year	-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-
Interim dividends paid	-	-	-	-	-	-	-
Proposed final dividends	-	-	-	-	-	-	-
<b>As at June 30, 2024</b>	-	-	-	-	-	-	-
<b>As at July 1, 2024</b>	-	-	-	-	-	-	-
Issue of new share capital	-	-	-	-	-	-	-
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Fair value adjustment on investments	-	-	-	-	-	-	-

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Description	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Grants/Fund	Total
Surplus/ (deficit) for the year	-	-	-	144,111,608	-	-	144,111,608
Capital/development grants received during the year	-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-
Interim dividends paid	-	-	-	-	-	-	-
Proposed final dividends	-	-	-	-	-	-	-
<b>As at June 30, 2025</b>	-	-	-	<b>144,111,608</b>	-	-	<b>144,111,608</b>

Note:

1. For items that are not common in the financial statements, the Entity should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.
2. Prior year adjustment should have an elaborate note describing what the amounts relate to. In such instances a restatement of the opening balances needs to be done.

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

	Notes	FY 2024/2025	FY 2023/2024
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from other governments entities	6	150,000,000	-
Levies, fines, and penalties		-	-
Public contributions and donations		-	-
Property taxes revenue		-	-
Licenses and permits		-	-
Rendering of services		52,882,129	-
Sale of goods		-	-
Rental revenue from facilities and equipment		-	-
Finance income		-	-
Other income	15	24,595,800	-
Salaries grants		-	-
<b>Total receipts</b>		<b>227,477,929</b>	<b>-</b>
<b>Payments</b>			
Use of goods and services		69,627,344	0
Employee costs			
Board Expenses			-
Repairs and maintenance		-	-
Contracted services		-	-
Grants and subsidies		-	-
Total payments		<b>69,627,344</b>	<b>-</b>
<b>Net cash flows from operating activities</b>	<b>54</b>	<b>157,850,585</b>	<b>-</b>
<b>Cash flows from investing activities</b>			
Purchase of PPE and Intangible assets	36	11,256,621.00	-
Proceeds from sale of PPE		-	-
Purchase of investments		-	-
Sale of investments		-	-
<b>Net cash flows from/(used in) investing activities</b>		<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	-

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Repayment of borrowings		-	-
Proceeds from issue of shares		-	-
Net cash flows from financing Activities		-	-
Net Increase/(decrease) in cash & cash equivalents		-	-
Cash and Cash Equivalents as at 1 July	30	-	-
Cash and Cash Equivalents as at 30 June	30	<b>146,593,964</b>	-

*(PSASB has now prescribed the direct method of cashflow presentation for all entities under the IPSAS Accrual basis of accounting).*

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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*	-	-	-	-	-	-
<b>Receipts</b>						
Transfers from Other Governments entities	150,000,000	-	150,000,000	150,000,000	-	100
Levies, Fines and Penalties	-	-	-	-	-	-
Public Contributions and Donations	-	-	-	-	-	-
Property Taxes Revenue	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Rendering of Services	63,000,000	-	63,000,000	60,628,883	-2,371,117	96
Sale of Goods	-	-	-	-	-	-
Grant-salaries	650,000,000	-	650,000,000	648,686,708	-1,313,292	-
Finance Income	-	-	-	-	-	-
Agency Income	-	-	-	-	-	-
Other Income	25,000,000	-	25,000,000	24,595,800	-404,200	-
<b>Total Receipts</b>	<b>888,000,000</b>	<b>-</b>	<b>888,000,000</b>	<b>883,911,391</b>	<b>-4,088,609</b>	<b>99.5</b>
<b>Payments</b>						
Use of Goods and Services	89,000,000	-	89,000,000	88,789,836	-210,164	99.8
Employee costs	650,000,000	-	650,000,000	648,686,708	-1,313,292	99.8
Remuneration of Directors	-	-	-	-	-	-
Depreciation	2,400,000	-	2,400,000	2,323,239	-76,761	97
Contracted Services	-	-	-	-	-	-
Grants and Subsidies	-	-	-	-	-	-

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<b>Total Payments</b>	<b>741,400,000</b>	<b>-</b>	<b>741,400,000</b>	<b>739,799,783</b>	<b>-5,688,826</b>	<b>99.8</b>
Capital Expenditure Payments	12,000,000	-	12,000,000	11,256,621	743,379	94%
<b>Surplus</b>	<b>134,600,000</b>	<b>-</b>	<b>134,600,000</b>	<b>132,854,987</b>	<b>1,745,013</b>	<b>99%</b>

Budget notes

1. Provide a commentary on significant underutilization (below 90% of utilization) and any overutilization (IPSAS 24.14)
2. Provide an explanation of changes between the original and final budget, indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)

**Budget Reconciliation**

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	132,854,987
1	Add Payables	19,162,492
2	Add depreciation	2,323,239
4	Less Receivables	(7,746,754)
	Closing Cash and Cash Equivalent as per the statement of Cash flows	146,593,964

## **19. Notes to the Financial Statements**

### **1. General Information**

Ulinzi Prime Health Services Fund is established by and derives its authority and accountability from Public Finance Management Act 2012 and the Ulinzi Prime Health Services Fund (UPHSF) Regulations, 2023. The Entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The Fund's principal activity is provision of high standards of health services to eligible civilians in KDF facilities, leveraging on modernized facilities and highly specialized workforce

### **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 *UPHSF's* 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 the *UPHSF*. The financial statements have been prepared in accordance with the PFM Act, the Ulinzi Prime Health Services Fund (UPHSF) Regulations, 2023, 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 1<sup>st</sup> 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 1<sup>st</sup> 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 1<sup>st</sup> 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, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46: Measurement	<i>Applicable 1<sup>st</sup> January 2025</i>

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	<p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS.</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ol> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
IPSAS 47: Revenue	<p><i>Applicable 1<sup>st</sup> 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 1<sup>st</sup> 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 1<sup>st</sup> 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 1<sup>st</sup> 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> <ol style="list-style-type: none"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> <li>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.</li> </ol>

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	<p>iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.</p>
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*iii. Early adoption of standards*

The Entity did not early – adopt any new or amended standards in the financial year.

**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**

The UPHSF 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 the Entity 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 the UPHSF 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**

The Entity recognizes 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.

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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 the *UPHSF*.

**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.

**Dividends**

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

**Rental income**

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

**b) Budget information**

The original budget for the FY 2024/2025 was approved by the Defence Council. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Entity upon receiving the respective approvals in order to conclude the final budget.

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

**Summary of Significant Accounting Policies (Continued)**

**Budget information (continued)**

The UPHSF's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In 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 page 7 of these financial statements.

**c) Taxes**

**Current income tax**

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

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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 *UPHSF* 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) Investment property**

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

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

**Summary of Significant Accounting Policies (Continued)**

**e) 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 UPHSF 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.

**f) Leases**

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

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the *UPHSF*. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

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

**Summary of Significant Accounting Policies (Continued)**

**g) 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.

**h) Biological Assets**

The entity recognizes biological assets when it controls the assets due to past events, it is probable that future economic benefits associated with the asset will flow to the entity, and when the fair value or cost of the asset can be measured reliably. Biological assets are initially and subsequently measured at fair value less costs to sell, except where fair value cannot be reliably determined. In such cases, the asset is measured at its cost less accumulated depreciation and any accumulated impairment losses. Changes in fair value less costs to sell are recognized in surplus/deficit in the period in which they occur.

**i) Research and development costs**

The *Entity* expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the *UPHSF* 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.

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**j) Financial instruments**

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

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

**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.

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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 UPHSF manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

**Impairment**

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The UPHSF recognizes a loss allowance for such losses at each reporting date.

**b) Financial liabilities**

**Classification**

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

**k) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

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

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or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the *UPHSF*.

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

**Summary of Significant Accounting Policies (Continued)**

**l) Provisions**

Provisions are recognized when the *UPHSF* has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the *UPHSF* 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.

**m) 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.

**n) Contingent liabilities**

The Entity 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.

**o) Contingent assets**

The Entity 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.

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**Notes to the Financial Statements (Continued)  
Summary of Significant Accounting Policies (Continued)**

**p) Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements.

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

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

**r) Employee benefits**

**Retirement benefit plans**

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

**s) Foreign currency transactions**

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

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

**Summary of Significant Accounting Policies (Continued)**

**t) Borrowing costs**

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

**u) Related parties**

The *UPHSF* regards a related party as a person or an Entity with the ability to exert control individually or jointly, or to exercise significant influence over the *UPHSF*, or vice versa. Members of key management are regarded as related parties and comprise the fund administrator, managing director, Deputy Managing Director, Finance Manager, Business Development Manager and Medical Logistics Manager.

**v) Service concession arrangements**

The *UPHSF* 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, the *UPHSF* 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, the *UPHSF* 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)**

**w) 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.

**x) Comparative figures**

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

**y) 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 *Entity'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. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**Useful lives and residual 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

**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 43. 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. Transfers from Other Government entities**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
<b>Unconditional Grants</b>		
Operational Grant	150,000,000	-
Development grants	-	-
Other Grants	-	-
<b>Total Unconditional Grants</b>	-	-
<b>Conditional Grants amortised/ transferred to revenue</b>	-	-
Housing Development Grant	-	-
Infrastructure Grant	-	-
Library Grant	-	-
Facilities Development Grant	-	-
Other Organizational Grants -MOD Salary Grant in kind	648,686,708	-
<b>Total Government Grants And Subsidies</b>	<b>798,686,708</b>	-

**b) Transfers from Ministries, Departments and Agencies (MDAs)**

Name of The Entity Sending The Grant	Amount recognised in Statement of Financial performance. *	Amount deferred under deferred income.	Amount recognised in capital fund.	Total transfers FY 2024/2025	Insert Comparative FY 2023/2024
	KShs	KShs	KShs	KShs	KShs
Ministry of Defence Department	150,000,000	-	-	150,000,000	-
<b>Total</b>	<b>150,000,000</b>	-	-	<b>150,000,000</b>	-

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

**7. Levies, Fines and Penalties**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Fuel Levy	-	-
Other Levies (Specify)	-	-
Fines	-	-
Penalties	-	-
Total	-	-

(Provide brief explanation for this revenue)

**8. Public Contributions and Donations**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Health Donations	-	-
Research Donations	-	-
Donations transferred to revenue on conditions being met.	-	-
Other Public Donations (Specify)	-	-
<b>Total Transfers and Sponsorships</b>	-	-
	-	-
<b>Reconciliation Of Public Contributions and Donations</b>	-	-
Balance Unspent at Beginning of The Year	-	-
Current Year Receipts	-	-
Conditions Met - Transferred to Revenue	-	-
Conditions To Be Met - Remain Liabilities	-	-

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

**9. Property Taxes Revenue**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
<b>Taxable Land and Buildings</b>		
Residential	-	-
Commercial	-	-
State	-	-
Penalties	-	-
<b>Sub- Total Property and Taxes</b>	-	-
Income Forgone/ waived	-	-
<b>Total Property Taxes Revenue</b>	-	-

**10. Licenses, Fees and Permits**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Licenses	-	-
Fees	-	-
Permits	-	-
<b>Total</b>	-	-

**11. Rendering Of Services**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Tuition Fees	-	-
Training Fees	-	-
Health services	-	-
Service Fees (specify)	60,628,883	-
Quality Assurance	-	-
Others (specify)	-	-
<b>Total Revenue from The Rendering Of Services</b>	<b>60,628,883</b>	-

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

**12. Sale of Goods**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Sale of goods		
Sale of electricity	-	-
Sale of water	-	-
Sale of books	-	-
Sale of publications	-	-
Other (include in line with your organisation)	-	-
<b>Total revenue from the sale of goods</b>	<b>-</b>	<b>-</b>

**13. Rental Revenue from Facilities and Equipment**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Operating Lease Revenues	-	-
Staff Houses	-	-
Contingent Rentals*	-	-
<b>Total Rentals</b>	<b>-</b>	<b>-</b>

**14. Finance Income**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Cash investments and fixed deposits	-	-
Interest income from Treasury Bills	-	-
Interest income from Treasury Bonds	-	-
Interest from outstanding debtors	-	-
<b>Total finance income</b>	<b>-</b>	<b>-</b>

**Ulinzi Prime Health Services Fund  
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**Notes to the Financial Statements (Continued)**

**15. Other Income**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Insurance recoveries	-	-
Income from sale of tender	-	-
Services concession income	-	-
Skills development levy	-	-
Agency fee	-	-
Income written back	-	-
Bad debts recovered	-	-
Miscellaneous incomes ( <i>income collected from medical services to retired military officers before the fund became operational</i> )	24,595,800	-
<b>Total Other income</b>	<b>24,595,800</b>	<b>-</b>

**16. Use of Goods and Services**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Electricity	-	-
Water	-	-
Professional Services	-	-
Subscriptions	-	-
Advertising	1,062,750	-
Admin Fees	-	-
Audit Fees	-	-
Conferences and Delegations	59,780	-
Consulting Fees	-	-
Consumables	1,578,303	-
Fuel and Oil	-	-
Insurance	-	-
Legal Expenses	-	-
Licenses and Permits	-	-
Chemicals	-	-
Water Purification Cost	-	-
Postage	-	-
Printing and Stationery	-	-
Hire Charges	-	-
Rent expenses	-	-
Security Costs	-	-

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Sewage Treatment Costs	-	-
Skills Development Levies	-	-
Inventory Scrapping	-	-
Telecommunication	946,370	-
Training	149,548	-
Travel, Subsistence & Other Allowances*	301,000	-
Bank charges	-	-
Specialized materials and services	84,679,877	-
Routine Maintenance –vehicles and other transport equipment	12,208	-
<b>Total</b>	<b>88,789,836</b>	

**17. Employee Costs**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Salaries and wages	648,686,708	-
Employer contribution to health insurance schemes	-	-
Employer contribution to pension schemes	-	-
Travel, accommodation, subsistence, & other allowances	-	-
Housing benefits and allowances	-	-
Overtime payments	-	-
Performance and other bonuses	-	-
Social contributions	-	-
Gratuity	-	-
Other employee related costs *	-	-
<b>Total Employee costs</b>	<b>648,686,708</b>	<b>-</b>

**18. Board Expenses**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Chairman/Directors' Honoraria	-	-
Sitting Allowances	-	-
Medical Insurance	-	-
induction and Training	-	-
Travel and Accommodation	-	-
Other Allowances	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

*(Provide brief explanation expenditure variations compared to the previous year)*

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

**19. Depreciation and Amortization Expense**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Property, plant and equipment	2,323,239	-
Intangible assets	-	-
Investment property carried at cost	-	-
<b>Total depreciation and amortization</b>	<b>2,323,239</b>	<b>-</b>

**20. Repairs and Maintenance**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Property and equipment	-	-
Investment Property	-	-
Equipment and Machinery	-	-
Vehicles	-	-
Furniture and Fittings	-	-
Computers and Accessories	-	-
Others (specify)	-	-
<b>Total Repairs and Maintenance</b>	<b>-</b>	<b>-</b>

**21. Contracted Services**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Actuarial Valuations	-	-
Investment Valuations	-	-
Property Valuations	-	-
Others (specify)	-	-
<b>Total Contracted Services</b>	<b>-</b>	<b>-</b>

**22. Grants and Subsidies**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Community Development	-	-
Education Initiatives and Programs	-	-
Social Development	-	-
Social benefit expenses*	-	-
Community Trust	-	-
Sporting Bodies	-	-
<b>Total Grants and Subsidies</b>	<b>-</b>	<b>-</b>

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**23. Finance Costs**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Borrowings (amortized cost) *	-	-
Finance leases (amortized cost)	-	-
Unwinding of discount on lease liabilities	-	-
Interest on bank overdrafts	-	-
Interest on loans from commercial banks	-	-
<b>Total finance costs</b>	<b>-</b>	<b>-</b>

**24. Social Benefits Expenses**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
<i>Benefits to PWDs</i>	-	-
<i>Benefits to the Aged</i>	-	-
<i>Others specify</i>	-	-
<b>Total Social Benefits</b>	<b>-</b>	<b>-</b>

**25. Gain on Sale of Assets**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
	-	-
Property, plant and equipment	-	-
Intangible assets	-	-
Other assets not capitalised	-	-
<b>Total gain on sale of assets</b>	<b>-</b>	<b>-</b>

**26. Gain/Loss on foreign exchange transactions**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Gain on foreign exchange transactions	-	-
Loss on foreign exchange transactions	-	-
<b>Total Gain/Loss</b>	<b>-</b>	<b>-</b>

**27. Gain/ (loss) on Fair Value Investments**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Investments at Fair Value- Equity investments	-	-

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Fair value – Investment property	-	-
Fair value- other financial assets (specify)	-	-
<b>Total Gain</b>	-	-

*(Provide brief explanation fair value valuation on investment assets)*

**28. Impairment Loss**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Property, Plant and Equipment	-	-
Intangible Assets	-	-
<b>Total Impairment Loss</b>	-	-

**29. Taxation**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Current income tax charge	-	-
Tax charged on rental income	-	-
Tax charged on interest income	-	-
<b>Deferred tax: [note 53]</b>	-	-
Original and reversal of temporary differences	-	-
<b>Income tax expense reported in the statement of financial performance</b>	-	-

**30. Cash and Cash Equivalents**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Current Account	146,593,964	-
Savings Account	-	-
On - Call Deposits	-	-
Fixed Deposits Account	-	-
Others (Specify)	-	-
<b>Total Cash and Cash Equivalents</b>	<b>146,593,964</b>	-

*(The amount should agree with the closing and opening balances as included in the statement of cash flows. List all bank accounts. Provide brief explanation on cash variations compared to the previous year)*

**Detailed Analysis of the Cash and Cash Equivalents**

Financial Institution	Account number	FY 2024/2025	FY 2023/2024
		Kshs	Kshs
<b>a) Current Account</b>			
Central Bank of kenya	1000741546	146,593,964	-

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Financial Institution	Account number	FY 2024/2025	FY 2023/2024
		Kshs	Kshs
Co-operative Bank	011014474586001	-	-
Sub- Total		-	-
<b>b) On - Call Deposits</b>		-	-
<b>c) Fixed Deposits Account</b>		-	-
<b>d) Others (Specify)</b>		-	-
Cash In Transit		-	-
Cash In Hand		-	-
Mobile Money Accounts		-	-
<b>Grand Total</b>		<b>146,593,964</b>	-

**31. Prepayments**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Insurance	-	-
Rent	-	-
Water	-	-
Internet	-	-
Others specify	-	-
<b>Total</b>	-	-

**32. Receivables from Exchange Transactions**

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

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Receivables		
Service, Water and Electricity Debtors	-	-
Other Exchange Debtor outstanding remittances	-	-
◦ Definis insurance	7,723,553	-
◦ E citizen	23,201	-
<b>Total Current Receivables</b>	<b>7,746,754</b>	-

*(Provide brief explanation on current receivables)*

**(b) Receivables from Exchange Transactions (Long-term)**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Total receivables		
Specify	-	-
Less: impairment allowance	-	-
Total receivables	-	-
Current portion transferred to current receivables	-	-
Total non-current receivables	-	-

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Total receivables (a+b)	7,746,754	-
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**(c) Ageing analysis for Receivables from exchange transactions**

Description	FY 2024/2025		FY 2023/2024	
	Kshs		Kshs	
	FY 2024/2025	% of the total	FY 2023/2024	% of the total
Less than 1 year	7,746,754	100%	-	-
Between 1- 2 years	-	-	-	-
Between 2-3 years	-	-	-	-
Over 3 years	-	-	-	-
<b>Total (a+b)</b>	<b>7,746,754</b>	<b>100%</b>	<b>-</b>	<b>-</b>

**(d) Reconciliation for Impairment Allowance on Receivables from Exchange Transactions**

Impairment allowance/ provision	FY 2024/2025		FY 2023/2024	
	Kshs		Kshs	
At the beginning of the year	-	-	-	-
Additional provisions during the year	-	-	-	-
Recovered during the year	-	-	-	-
Written off during the year	-	-	-	-
At the end of the year	-	-	-	-

*(Entity to state the expected credit loss rates for various categories of its receivables. The entity should also disclose how ECL was arrived at in line with provisions of IPSAS 41.)*

**Reconciliation for Impairment Allowance on Receivables from Non-Exchange Transactions**

**33. Receivables from Non-Exchange Transactions**

Description	FY 2024/2025		FY 2023/2024	
	Kshs		Kshs	
Property tax debtors	-	-	-	-
Levies, fines, and penalties	-	-	-	-
Licences, fees and permits	-	-	-	-
Other debtors (non-exchange transactions)	-	-	-	-
Less: impairment allowance	-	-	-	-
<b>Total receivables from non- exchange transactions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Ageing Analysis- Receivables from non-exchange transactions</b>	<b>FY 2024/2025</b>	<b>% of the total</b>	<b>FY 2023/2024</b>	<b>% of the total</b>

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Less than 1 year	-	-	-	-
Between 1-2 years	-	-	-	-
Over 3 years	-	-	-	-
Total	-	-	-	-

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
At the beginning of the year	-	-
Additional provisions during the year	-	-
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	-	-

**34. Inventories**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Consumable stores	-	-
Medical supplies	-	-
Spare parts and meters	-	-
Water for distribution	-	-
Other goods held for resale	-	-
Catering	-	-
Less: allowance for impairment	-	-
<b>Total inventories at the lower of cost and net realizable value</b>	-	-

*(Provide brief explanation on inventories)*

**Detailed disclosure on inventories**

	FY 2024/2025
Opening balance	-
Additional inventory in the year	-
Inventory expensed in the year	-
Write-downs in the year	-
Others specify	-
Closing balance	-

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**35. Investments in financial assets**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
<b>a) Investment in Treasury bills and bonds</b>		
Financial institution	-	-
CBK	-	-
CBK	-	-
Sub- total	-	-
<b>b) Investment with Financial Institutions/ Banks</b>		
Bank x	-	-
Bank y	-	-
Sub- total	-	-
<b>c) Equity investments (specify)</b>		
Equity/ shares in Entity	-	-
Sub- total	-	-
<b>Grand total</b>	-	-

*(Entity should disclose whether the fixed investment financial assets are measured at amortised cost or at fair value through changes in net assets/ equity) Investments in equity should be measured at fair value through surplus or deficit. Other information to be disclosed includes: the interest rates, maturity dates, valuation methodology, and impairment of these investments.*

**d) Movement of Equity Investments**

Impairment allowance/ provision	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
At the beginning of the year	-	-
Purchase of investments in the year	-	-
Sale of investments during the year	-	-
Gain/(loss) in fair value of investments through surplus or deficit	-	-
At the end of the year	-	-

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**e) Shareholding in other entities**

For investments in equity share listed under note 35 above, list down the equity investments under the following categories:

Name of Entity where investment is held	No of shares			Normal value of shares	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding		Current year	Comparative year
	%	%	%	Kshs	Kshs	Kshs
Entity A	-	-	-	-	-	-
Entity B	-	-	-	-	-	-
Entity C	-	-	-	-	-	-
	-	-	-	-	-	-

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**36. Property, Plant and Equipment**

	Land	Buildings	Motor vehicles	Furniture and fittings	Computer s	Other Assets (specify)	Capital Work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Depreciation Rate</b>	-	2%	12.50%	12.50%	30%	12.50%		
<b>As At 1<sup>st</sup> July 2023</b>	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-	-	-	-
(0)	-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2024</b>	-	-	-	-	-	-	-	-
Additions	-	-	5,361,900	458,930	5,235,210	200,581	-	11,256,621
Disposals	-	-	-	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-	-	-	-
Revaluation adjustments	-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2025</b>	-	-	<b>5,361,900</b>	<b>458,930</b>	<b>5,235,210</b>	<b>200,581</b>	-	<b>11,256,621</b>
<b>Depreciation And Impairment</b>								
At 1 July 2023	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-	-	-
<b>As At 30<sup>th</sup> June 2024</b>	-	-	-	-	-	-	-	-
Depreciation	-	-	670,238	57,366	1,570,563	25,073	-	2,323,239
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2025</b>	-	-	<b>670,238</b>	<b>57,366</b>	<b>1,570,563</b>	<b>25,073</b>	-	<b>2,323,239</b>
<b>Net Book Values</b>								
As at 30 <sup>th</sup> June 2024	-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2025</b>	-	-	<b>4,691,663</b>	<b>401,564</b>	<b>3,664,647</b>	<b>175,508</b>	-	<b>8,933,382</b>

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

**36 (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 Kshs	Accumulated Depreciation Kshs	NBV Kshs
Land	-	-	-
Buildings	-	-	-
Other Assets	200,581	25,073	175,508
Motor Vehicles, Including Motorcycles	5,361,900	670,238	4,691,662
Computers And Related Equipment	5,235,210	1,570,563	3,664,647
Office Equipment, Furniture, And Fittings	458,930	57,366	401,564
<b>Total</b>	<b>11,256,621</b>	<b>2,323,239</b>	<b>8,933,382</b>

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

Description	Cost or valuation	Normal annual depreciation charge
Plant and Machinery	-	-
Motor Vehicles including Motorcycles	-	-
Computers and Related Equipment	-	-
Office Equipment, Furniture and Fittings	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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

**37. Intangible Assets**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
<b>Cost</b>		
At beginning of the year	-	-
Additions	-	-
At end of the year	-	-
Additions—internal development	-	-
At end of the year	-	-
<b>Amortization and impairment</b>		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
<b>NBV</b>	-	-

**38. Investment Property**

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

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**39. Biological Assets**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Trees in a plantation forest	-	-
Animals: Dairy Cattle, Pigs, Sheep	-	-
Others specify	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**40. Trade and Other Payables**

Description	FY 2024/2025		FY 2023/2024	
	Kshs		Kshs	
Trade payables	19,162,492		-	
Employee payables	-		-	
Other payables	-		-	
<b>Total trade and other payables</b>	<b>19,162,492</b>		<b>-</b>	
Ageing analysis: (Trade and other payables)	FY	% of	FY	% of
	2024/2025	the	2023/2024	the
		Total		Total
Under one year	19,162,492	100%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total (tie to above total)</b>	<b>19,162,492</b>	<b>100%</b>	<b>-</b>	

*(Provide brief explanation)*

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**41. Refundable Deposits**

Description	FY 2024/2025		FY 2023/2024	
	Kshs		Kshs	
Customer deposits	-	-	-	-
Prepayments from customers	-	-	-	-
Other deposits	-	-	-	-
<b>Total deposits</b>	-	-	-	-
<b>Ageing analysis: (Refundable deposits)</b>	<b>Current FY</b>	<b>% of the Total</b>	<b>Comparative FY</b>	<b>% of the Total</b>
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total</b>	-		-	

*(Provide brief explanation)*

**42. Prepayments from customers**

Description	FY 2024/2025		FY 2023/2024	
	Kshs		Kshs	
Specify	-	-	-	-
	-	-	-	-
	-	-	-	-
<b>Total Prepayments</b>	-	-	-	-

**43. Current Provisions**

Description	Leave	Bonus	Gratuit	Other	Total
	provisio	provisio	Provisio	provisio	
	n	n	n	n	
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Balance b/f</b>	-	-	-	-	-
Additional provisions	-	-	-	-	-
Provision utilised	-	-	-	-	-
Change due to discount and time value for money	-	-	-	-	-
Transfers from non-current provisions	-	-	-	-	-
<b>Total provisions year end</b>	-	-	-	-	-

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**44. Finance Lease Obligation**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
At the start of the year	-	-
Discount interest on lease liability	-	-
Paid during the year	-	-
At end of the year	-	-

**Maturity Analysis**

Period	Amount (Kshs)
Year 1	-
Year 2	-
Year 3	-
Year 4	-
Year 5 And Onwards	-
Less: Unearned Interest	-
<b>Total</b>	-

**Analysed as:**

Description	Amount (Kshs)
Current	-
Non- Current	-
<b>Total</b>	-

The deferred income movement is as follows:

**45. Deferred Income**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
National Government	-	-
International Funders	-	-
Public Contributions and Donations	-	-
<b>Total Deferred Income</b>	-	-

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**Additional Details**

	National government	International Donors	Others Specify	Total
	Kshs	Kshs	Kshs	Kshs
Balance Brought Forward	-	-	-	-
Additions	-	-	-	-
Transfers To Capital Fund	-	-	-	-
Transfers To Income Statement	-	-	-	-
Other Transfers	-	-	-	-
Balance Carried Forward	-	-	-	-

**46. Employee Benefit Obligations**

Description	Defined benefit plan	Post- employ- ment medical benefits	Other Benefits	(Current FY)	(Compar- ative FY)
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	-	-	-	-	-
Non-Current Benefit Obligation	-	-	-	-	-
<b>Total Employee Benefits Obligation</b>	-	-	-	-	-

**Retirement benefit Asset/ Liability**

Description	FY 2024/2025	FY 2023/2024
Discount Rates	-%	-%
Future Salary Increases	-%	-%
Future Pension Increases	-%	-%
Mortality (Pre- Retirement)	-%	-%
Mortality (post-retirement)	-%	-%
Withdrawals	-%	-%
Ill Health	-%	-%
Retirement	- years	- years

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**Recognition of Retirement Benefit Asset/ Liability**

a) Amounts recognized under other gains/ Losses in the statement of Financial Performance:

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
The return on defined plan assets	-	-
Actuarial gains/ losses arising from changes in demographic assumptions	-	-
Actuarial gains/ losses arising from 0020 changes in financial assumptions	-	-
Actuarial gains and losses arising from experience adjustments	-	-
Others (specify)	-	-
Adjustments for restrictions on the defined benefit asset	-	-
<b>Remeasurement of the net defined benefit liability (asset)</b>	-	-

b) Amounts recognised in the Statement of Financial Position

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Present value of defined benefit obligations(a)	-	-
Fair value of plan assets(b)	-	-
Funded status (=a-b)	-	-
Restrictions on asset recognised	-	-
Others	-	-
<b>Net asset or liability arising from defined benefit obligation</b>	-	-

**47. Borrowings**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
<b>a) External borrowings</b>		
Balance at beginning of the year	-	-
External borrowings during the year	-	-
Repayments of during the year	-	-
<b>Balance at end of the year</b>	-	-
	-	-
<b>b) Domestic borrowings</b>		
Balance at beginning of the year	-	-
Domestic borrowings during the year	-	-

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Repayments during the year	-	-
Balance at end of the year	-	-
Balance at end of the period- domestic and External borrowings c = a+b	-	-

The analyses of both external and domestic borrowings are as follows:

	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
<b>External Borrowings</b>		
Dollar Denominated Loan	-	-
Sterling Pound Denominated Loan	-	-
Euro Denominated Loan	-	-
<b>Domestic Borrowings</b>	-	-
Kenya Shilling Loan From KCB	-	-
Kenya Shilling Loan from Barclays Bank	-	-
Kenya Shilling Loan from Consolidated Bank	-	-
Total Balance at End Of The Year	-	-

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

*(NB: the total of this statement should tie to note 44 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed). Borrowings should be measured at amortised cost as per IPSAS 41.*

**48. Social Benefit Liabilities**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Benefits to PWDs	-	-
Benefits to the Aged	-	-
Others Specify	-	-
Total	-	-

**49. Non-Current Provisions**

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Description	Long service leave	Bonus Provision	Gratuity provision	Other Provision	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
balance at the beginning of the year	-	-	-	-	-
additional provisions	-	-	-	-	-
provision utilised	-	-	-	-	-
change due to discount and time value for money	-	-	-	-	-
less: current portion	-	-	-	-	-
balance at the end of the year	-	-	-	-	-

**50. Service Concession Arrangements**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Fair value of service concession assets recognized under PPE	-	-
Accumulated depreciation to date	-	-
Net carrying amount	-	-
Service concession liability at beginning of the year	-	-
Service concession revenue recognized	-	-
Service concession liability at end of the year	-	-

**51. Surplus Remission (for category 3 entities)**

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year.

The Surplus Remission has been computed as follows:

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Surplus for the period	-	-
Less: Allowable deductions by NT	-	-

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90% Computation (Included in Statement of Financial Performance)	-	-
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**Surplus Remission Payable**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Payable at the beginning of the year	-	-
Paid during the year	-	-
<b>Payable at end of the year</b>	<b>-</b>	<b>-</b>

**52. Taxation**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
At beginning of the year	-	-
Income tax charge for the year (note 29)	-	-
Under/(over) provision in prior year/s (note 29)	-	-
Income tax paid during the year	-	-
At end of the year	-	-

**53. Deferred Tax Liability**

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Accelerated capital allowances	-	-
Unrealised exchange gains/(losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	-	-
Provisions for liabilities and charges	-	-
<b>Net deferred tax liability/(asset)</b>	<b>-</b>	<b>-</b>
<b>The movement on the deferred tax account is as follows:</b>		
<b>Balance at beginning of the year</b>	<b>-</b>	<b>-</b>
Credit to revaluation reserve	-	-
Under provision in prior year	-	-
Income statement charge/(credit)	-	-
<b>Balance at end of the year</b>	<b>-</b>	<b>-</b>

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**Notes To The Financial Statements (Continued)**

**54. Cash Generated from Operations**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Surplus for the year before tax	144,111,608	-
Adjusted for:		
Depreciation	2,323,239	-
Non-cash grants received	-	-
Contributed assets		-
Impairment	-	-
Gains and losses on disposal of assets	(-)	-
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
Working capital adjustments		-
Increase in inventory	(-)	-
Increase in receivables	(7,746,754)	-
Increase in deferred income	-	-
Increase in payables	19,162,492	-
Increase in payments received in advance	-	-
<b>Net cash flow from operating activities</b>	<b>157,850,585</b>	<b>-</b>

**55. Financial Risk Management**

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

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**i) Credit risk**

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

**Financial Risk Management**

The carrying amount of financial assets recorded in the financial statements representing the 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
<b>As at 30<sup>th</sup> June 2025</b>				
Receivables from exchange transactions	7,746,754	7,746,754	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	146,593,964	146,593,964	-	-
<b>Total</b>	<b>154,340,718</b>	<b>154,340,718</b>	-	-
<b>As at 30 June 2024</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Financial Risk Management**

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The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The board of directors sets the Entity'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 Entity's directors, who have built an appropriate liquidity risk management framework for the management of the Entity's short, medium and long-term funding and liquidity management requirements. The Entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the Entity 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
<b>As at 30<sup>th</sup> June 2025</b>				
Trade payables	19,162,492	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	<b>19,162,492</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>As at 30<sup>th</sup> June 2024</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

**Financial Risk Management**

**iii) Market risk**

The *UPHSF* has put in place an internal audit function to assist it in assessing the risk faced by the Entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Entity'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. The Entity'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 Entity's exposure to market risks or the way it manages and measures the risk.

**a) Foreign currency risk**

The *Entity* has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The *Entity* manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

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**Financial Risk Management**

The carrying amount of the *Entity's* foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

FY 2024/2025

Description	In Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
As at 30 <sup>th</sup> June 2025			
<b>Financial Assets</b>	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors	-	-	-
<b>Total Financial Assets</b>	-	-	-
<b>Financial Liabilities</b>	-	-	-
Trade And Other Payables	-	-	-
Borrowings	-	-	-
<b>Total Financial Liabilities</b>	-	-	-
<b>Net Foreign Currency Asset/(Liability)</b>	-	-	-

**Foreign currency sensitivity analysis**

FY 2024/2025

Description	In Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
As at 30 <sup>th</sup> June 2025			
<b>Financial Assets</b>	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors	-	-	-
<b>Total Financial Assets</b>	-	-	-
<b>Financial Liabilities</b>	-	-	-
Trade And Other Payables	-	-	-
Borrowings	-	-	-
<b>Total Financial Liabilities</b>	-	-	-

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<b>Net Foreign Currency Asset/(Liability)</b>	-	-	-
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The following table demonstrates the effect on the Entity's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

Description	Change in currency rate	Effect on Profit before tax	Effect on Equity/Net assets
	Kshs	Kshs	Kshs
<b>Current FY 2024/2025</b>			
Euro	10%	-	-
USD	10%	-	-
<b>Previous FY 2023/2024</b>			
Euro	10%	-	-
USD	10%	-	-

**b) Interest rate risk**

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

**Management of interest rate risk**

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

**Sensitivity analysis**

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

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**Fair value of financial assets and liabilities**

**a) Financial instruments measured at fair value.**

**Determination of fair value and fair values hierarchy**

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *Entity's* market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *Entity* considers relevant and observable market prices in its valuations where possible.

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

**Financial Risk Management**

The following table shows an analysis of financial and non-financial instruments recorded at fair value by level of the fair value hierarchy:

Description	Level 1	Level 2	Level 3	Total
	Kshs	Kshs	Kshs	Kshs
<b>As at 30 June 2025</b>				
<b>Financial Assets</b>				
Quoted Equity Investments	-	-	-	-
<b>Non- Financial Assets</b>				
Investment Property	-	-	-	-
Land And Buildings	-	-	-	-
<b>Total</b>	-	-	-	-
<b>As at 30<sup>th</sup> June 2024</b>				
<b>Financial Assets</b>				
Quoted Equity Investments	-	-	-	-
<b>Non- Financial Assets</b>				
Investment Property	-	-	-	-
Land And Buildings	-	-	-	-
<b>Total</b>	-	-	-	-

There were no transfers between levels 1, 2 and 3 during the year. Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

**iv) Capital Risk Management**

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

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Revaluation Reserve	-	-
Retained Earnings	144,111,608	-
Capital Reserve	-	-
<b>Total Funds</b>	<b>144,111,608</b>	<b>-</b>
Total Borrowings	-	-
Less: Cash and Bank Balances	-	-
Net Debt/(Excess Cash And Cash Equivalents)	-	-
<b>Gearing</b>	<b>-</b>	<b>-</b>

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Notes to the Financial Statements (Continued)

**56. Related Party Disclosures**

**Nature of related party relationships**

Entities and other parties related to the *Entity* 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 of the *Entity*, holding 100% of the *Entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the *Entity*, both domestic and external.

**Other related parties include:**

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

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Sales to related parties</b>		
Rent income from govt. Agencies	-	-
Water sales to govt. Agencies	-	-
Others (specify) e.g. interest and bank charges	-	-
<b>Total</b>	-	-
<b>B) purchases from related parties</b>		
Purchases of electricity from KPLC	-	-
Purchase of water from govt service providers	-	-
Rent expenses paid to govt agencies	-	-
Training and conference fees paid to govt. Agencies	-	-
Others (specify)	-	-
<b>Total</b>	-	-
<b>b) Grants /transfers from the government</b>	-	-
Grants from national govt	150,000,000	-

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Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Salary grant by MOD	648,686,708	-
Donations in kind	-	-
<b>Total</b>	<b>798,686,708</b>	<b>-</b>
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for employees	-	-
Payments for goods and services for other entities	-	-
<b>Total</b>		
<b>d) Key management compensation</b>		
Directors' emoluments	-	-
Compensation to key management	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**57. Segment Information**

No segments within the fund.

**58. Contingent Assets and Contingent Liabilities**

**Contingent Assets**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
<b>Contingent Assets</b>		
Insurance Reimbursements	-	-
Assets Arising from Determination Of Court Cases	-	-
Reimbursable Indemnities and Guarantees	-	-
Receivables From Other Government Entities	-	-
Others (Specify)	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**Contingent Liabilities**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
<b>Contingent Liabilities</b>		
Court Case xx against the Entity	-	-
Bank Guarantees in Favour of Subsidiary	-	-
Contingent Liabilities arising from Contracts Including PPPs	-	-
Others (Specify)	-	-

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Total	-	-
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**59. Capital Commitments**

Capital Commitments	FY 2024/2025 Kshs	FY 2023/2024 Kshs
Authorised for	-	-
Authorised and contracted for	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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**60. Program for Results (PforR) Disclosure**

*This disclosure note is for entities implementing Programs for Results (PforR). Implementing entities are required to make disclosures in accordance with their respective financing agreements. The disclosure should capture the program's goal and expenditures designated in the expenditure framework.*

Name of PforR: <i>N/A</i>		Name of Financing Partners: <i>xxx and xxx</i>				
Expenditure Details <sup>4</sup>	Opening Cumulative for Previous FYs		Current FY		Total Cumulative	
	Budget	Actual	Budget	Actual	Budget	Actual
Program code						
Sub-program						
Sub-program						
Sub-total						
Program code						
Sub-program						
Sub-program						
Sub-total						
Total	-	-	-	-	-	-

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**61. Events after the Reporting Period**

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

**62. Ultimate And Holding Entity**

The Entity is a fund under the Ministry of Defence. Its ultimate parent is the Government of Kenya.

**63. 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)
None				

**Guidance Notes:**

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your Entity responsible for the implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to the National Treasury.

Name: Dr. Patrick Mariru, PhD, CBS  
Fund Administrator

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**Appendix II: Projects implemented by Fund**

Projects implemented by the State Corporation/ SAGA Funded by development partners and/ or the Government.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements, (Yes/No)

**Status of Projects completion**

*(Summarise the status of project completion at the end of each quarter, i.e. total costs incurred, stage which the project is etc)*

SN	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds

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**Appendix III: 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	Deferred Income	Receivables	Others - must be specific	
Ministry of Defence		Recurrent	150,000,000	150,000,000	-	-	-	-	150,000,000
<b>Total</b>			150,000,000	150,000,000	-	-	-	-	150,000,000

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**Appendix IV: Reporting of Climate Relevant Expenditures**

Project Name	Project Description	Project Objectives	Project Activities	Quarter				Source of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
None									

**Appendix V: Reporting on Disaster Management Expenditure**

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments
None				-	-	

