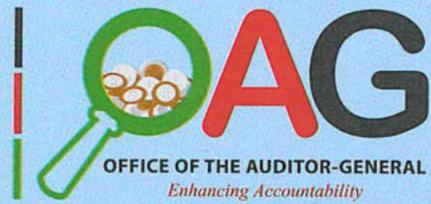


REPUBLIC OF KENYA



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OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

REPORT

OF

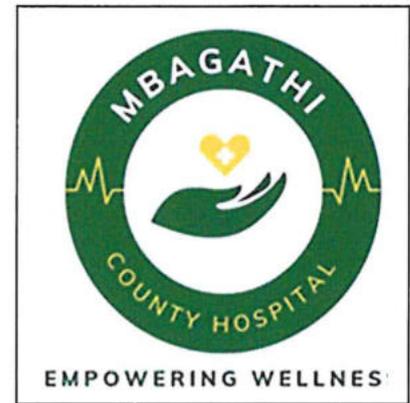
THE AUDITOR-GENERAL

ON

**MBAGATHI COUNTY REFERRAL
HOSPITAL**

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

NAIROBI CITY COUNTY GOVERNMENT



MBAGATHI COUNTY REFERRAL HOSPITAL **(Nairobi City County Government)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2025

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

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1. Acronyms & Glossary of Terms

A&E	Accident and Emergency
AIE	Authority to Incur Expenditure
AIDS	Acquired Immunodeficiency Syndrome
CDC	Centre for Disease Control
CEO	Chief Executive Officer
FIF	Facility Improvement Financing
GOK	Government of Kenya
HAI	Hospital Acquired Infection
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
HMB	Hospital Management Board
HMT	Hospital Management Team
HR	Human Resources
ICT	Information and Communication Technology
ISO	International Organization for Standardization
KEMRI	Kenya Medical Research Institute
KMTC	Kenya Medical Training College
KNH	Kenyatta National Hospital
KPI	Key Performance Indicator
M&E	Monitoring and Evaluation
MOH	Ministry of Health
MOU	Memorandum of Understanding
MCRH	Mbagathi County Referral Hospital
NHIF	National Health Insurance Fund
NCCK	National Council of Churches of Kenya

SHA	Social Health Authority
SHIF	Social Health Insurance Fund
NMS	Nairobi Metropolitan Services
PAS	Performance Appraisal System
SOPs	Standard Operating Procedures
UHC	Universal Health Care
CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
Fiduciary Management	Key management personnel who have financial responsibility in the entity.

2. Key Entity Information and Management

(a) Background information

Mbagathi County Referral Hospital is a level (5) hospital established under the Medical Practitioners and Dentist Act (CAP.253) License number GK-008120 and is domiciled in Nairobi County under the health sector. The hospital is governed by a Board of Management.

(b) Principal Activities

The mandate of the hospital is;

- a. To receive patients and also on referral from other hospitals for primary and specialized health care.
- b. To participate as a county referral hospital in County health planning.
- c. To provide facilities for education and training in Nursing and other health and allied institutions.
- d. To provide facilities for medical education and for research.

VISION

A center of excellence in provision of primary and specialized health care.

MISSION

To provide quality, affordable, accessible and evidence-based primary and specialized health care in the Nairobi Metropolis.

(c) Key Management

The hospital's management is under the following key organs:

- County Health Sector
- Board of Management
- Chief Executive Officer
- Medical Superintendent
- Executive Expenditure Committee
- Hospital Management Team (HODs)

(d) Fiduciary Management

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

No.	Designation	Name
1.	Chief Executive Officer	Dr. Alexander Irungu
2.	Medical Superintendent	Dr. Erica Koimah
3.	Head of Finance	CPA Rodgers Modi
4.	Head of Supply Chain	Ms. Susan Jowi
5.	Head of Pharmacy	Dr. Elizabeth Okerosi
6.	Head of Clinical Services	Dr. Beatrice Mwangi
7.	Head of Nursing Services	Ms. Lynette Kinara
8.	Health Administration Officer	Ms. Agnes Mwaregoki

(e) Fiduciary Oversight Arrangements

- County Health Committee
- County Public Accounts Committee
- Hospital Management Board (HMB)
- Finance and General-Purpose Committee
- Quality of Health Services Committee
- Public Health, Research and Training Committee
- Audit and Risk Committee
- Executive Expenditure Committee
- Hospital Management Team

Key Entity Information and Management (continued)

(f) Entity Headquarters

P.O. Box 20725, Ngumo Estate
 Raila Odinga Road /Mbagathi way,
 Nairobi, KENYA

(g) Entity Contacts

Telephone: (+254) 0721 311 808
 E-mail: mbagathihosp@gmail.com
 Website: mbagathihospital.or.ke

(h) Entity Bankers

National Bank of Kenya
P.O.Box 72866-00200
Nairobi
Hill Branch

(i) Independent Auditors

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

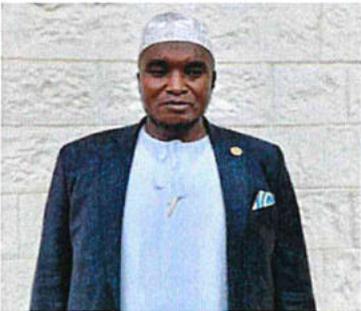
(j) Principal Legal Adviser

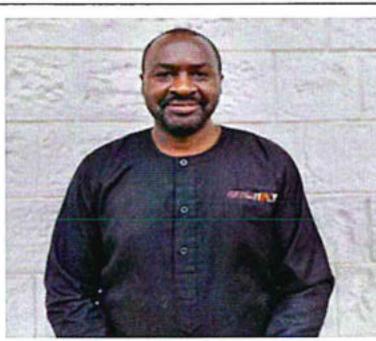
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

(k) County Attorney

City hall 1st floor room 102
P.O. Box. 30075
Nairobi, Kenya

3. The Board of Management

Ref	Directors	Details
1.	 <p>Dr. Githinji Gitahi, MBS</p>	<p>He is the Chairman of the Hospital Management Board.</p> <p>He is a medical doctor with over 26 years in health system and global health management.</p> <p>He holds MBA in leadership and health management.</p> <p>He is 54 years of age.</p> <p>He is a non-executive and independent member of the Board.</p>
2.	 <p>Hon. Davidson DNG Ngibuini</p>	<p>He is the Chair of Finance and General-Purpose Committee of the Board.</p> <p>He is a Members of County Assembly-Woodley/Golf course Ward.</p> <p>He holds Global Executive MBA (GeMBA), USIU</p> <p>He is 39 years of age.</p> <p>He is a non-executive and independent member of the Board.</p>
3.	 <p>Mr. Faiz Ochieng</p>	<p>He is the Chair of the Quality of Healthcare Services Committee of the Board.</p> <p>He holds Diploma in Community Development</p> <p>He is 45 years of age</p> <p>He is a non-executive and independent member of the Board.</p>

4.	 <p>Ms.Edwina Auma</p>	<p>She is a business woman She is a non-executive and independent member of the Board. She is 36 years of age.</p>
5.	 <p>Dr.Edinah Akinyi</p>	<p>She is the Chair of the Public Health, Research and Training Committee of the Board. She is a non-executive and independent member of the Board. She holds Masters in Paediatrics and child health PhD on going in Paediatrics and child health She is 46 years of age. Working experience as a Paediatrician University lecturer.</p>
6.	 <p>Mr.Joram Mwinamo</p>	<p>He is the Chair of the Audit and Risk Committee of the Board. He is a non-executive and independent member of the Board. He holds BSC computer science and Certificate in Economics Consultant strategy spanning over 18 years He is 46 years of age</p>

7.	 Mr. Martin Kanga	He is a professional actor. He is a non-executive and independent member of the Board. He is 31 years of age.
8.	 Dr. Alexander Irungu, PhD	Chief Executive Officer Secretary to the Hospital Management Board

4. Key Management Team

Ref	Management	Details
1.	 <p data-bbox="296 696 619 730">Dr. Alexander Irungu, PhD</p>	Chief Executive Officer.
2.	 <p data-bbox="296 1102 512 1135">Dr. Ericah Koima</p>	Medical Superintendent
3.	 <p data-bbox="296 1543 576 1576">Ms. Agnes Mwaregoki</p>	Health Administrative Officer
4.		Nursing Service Manager

*Mbagathi County Referral Hospital (Nairobi City County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025*

	Ms.Lynette Kinara	
5.	 <p>Susan Jowi</p>	Supply Chain Manager
6.	 <p>CPA Rodgers Modi Bcom. Finance Msc Finance CPAK</p>	Hospital Accountant

5. Chairman's Statement

It is my pleasure to present the hospital's FY 2024/2025 annual report and financial statements. The Hospital Management Board is proud of the achievements realized by the hospital in this period. I am impressed by the staff attitude towards their commitment to delivering the best possible services to patients despite the staff shortages and challenges experienced throughout the year. As Hospital management Board, we approved engagement of technical staff using FIF to boost the county staff numbers but due to retirement, death of staff just to mention but a few, the staff shortage is still an issue at Mbagathi County Hospital. Mbagathi County Hospital as a public hospital of choice in Nairobi County and the surrounding areas offers quality health care to patients in line to its mission of provision of Primary, Specialized and Rehabilitative health services. Also, it prides itself in offering specialized clinical services in selective disciplines. Mbagathi County Hospital is always set and ready for both dynamic healthcare and environmental changes especially in Kibra sub-county and by extension Nairobi City County in general.

Future Outlook

Construction of a Critical Care Unit through Nairobi County is still on course despite a few challenges.

The completion of the stalled medical block to create more space for the ever-increasing number of patients.

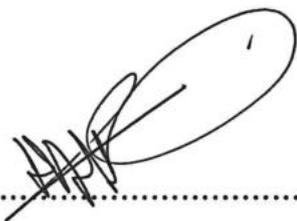
Expansion of the Dental Unit, Renal Unit and operating theatres.

Achievements

- Expanded outpatient A&E area to accommodate the high number of patients.
- Acquisition of modern medical equipment, HMIS upgrade.
- Performance of specialized surgical procedures e.g. Neurosurgery, plastic and orthopaedic
- The board pledge is to ensure that our systems and human resources are effectively deployed to support the programmed transformation of the hospital into a sustainable and excellent institution.
- The facility was voted the best public level five hospital in Nairobi City County.
- Retention of ISO accreditation by the hospitals' Laboratory.
- Oxygen piping through partnership with Amref and Global Fund.

Acknowledgement

On behalf of the Mbagathi Hospital Board, I would like to thank all the stakeholders, partners and health sector County Executive, without whom our achievements would not have been realized. As we move into the new financial year 2025/2026, I would like to express my gratitude to Mbagathi County Hospital Staff and Board Members who take such pride in their work and who exemplify our hospital's mission and values each day.



.....
Name: Dr. Githinji Gitahi, MBS

Chairman to the Board.

6. Report of The Chief Executive Officer

I am pleased to present the Hospital's annual report and financial statements for the year 2024/2025. The report highlights the hospital and financial performance as well as our strategic direction.

Operational Performance

The hospital provides a range of services to meet our patients' needs, we have competent personnel who ensure our clients receive safe, timely, equitable, efficient and patient-centred services. In 2024-2025 the hospital attended to 219,151 Patients of whom 22,147 were inpatients. This represented an increase of 4.63% outpatients and 24.57% inpatients attendance in comparison to the previous year.

Centre of excellence

Mbagathi County Referral Hospital is ranked as the best public hospital in Nairobi city county. It provides relatively comprehensive patient centred care with various clinical specialities. Mbagathi County Referral Hospital is committed to give of its best to heal and bring hope as it has over the years.

Mbagathi County Referral Hospital laboratory is accredited by KENAS through ISO 15189:2012 for meeting its standards of safety and quality in Health care in terms of Laboratory diagnostics.

Patient Safety

Mbagathi County Hospital has embarked on all aspects of patient safety which is an integral component of health service delivery and is focused to reduce hospital acquired infections and medical errors. The hospital has an active infection prevention & control committee which is used to address patient concerns.

Finance

During the year the hospital made a total revenue collection of ksh.622,121,561.00 which was the highest revenue collection compared to the last four years.



.....
Name: Dr. Alexander Irungu, PhD

Chief Executive Officer.

7. Statement of Performance Against Predetermined Objectives

Mbagathi County Referral Hospital has 3 strategic themes and objectives within the current Strategic Plan for the FY 2021- FY 2026. These strategic themes are as follows:

Theme 1: Service Excellence

Theme 2: Business Growth

Theme 3: Operational Excellence

MCRH develops its annual work plans based on the above 3 Themes. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The MCRH achieved its performance targets set for the FY 2024/2025 period for its 3 strategic themes, as indicated in the diagram below:

Strategic Theme	Objective	Key Performance Indicators	Activities	Achievements
Service Excellence	To establish and enhance good clinical governance	<ul style="list-style-type: none"> ➤ Updated SOPs ➤ No of stock out tracer drugs. 	<ul style="list-style-type: none"> ➤ Rational use of medications. ➤ Provision of health products. 	<ul style="list-style-type: none"> ➤ Reduction in morbidity and mortality. ➤ Drug formulary available.
	To express workspace through infrastructural development. To ensure quality diagnostic services.	<ul style="list-style-type: none"> ➤ Availability of drug formulary. ➤ Infrastructural committee and evaluation ➤ completion reports. 	<ul style="list-style-type: none"> ➤ Monthly clinical audits and mortality meetings 	<ul style="list-style-type: none"> ➤ Renovation of diagnostic/ imaging department complete. ➤ Installation and operationalization of x-ray machine
Business Growth	To increase revenue	<ul style="list-style-type: none"> ➤ Revenue reports. 	<ul style="list-style-type: none"> ➤ Review user fees. ➤ Increase customer 	<ul style="list-style-type: none"> ➤ Continuous user fee

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	generation.	➤ % in revenue	base. ➤ Diversify revenue streams	review. ➤ Improved revenue generations. ➤ More patient streams
Operational Excellence	Enhanced policies, disseminations and implementation.	➤ Increase in hospital performance. ➤ No of HMB meetings	➤ Monthly/ quarterly HMT meetings. ➤ Quarterly HMB	Quarterly HMT/HMB meetings achieved

8. Corporate Governance Statement

The MCRH Board of Management is responsible for the overall governance of the hospital and is accountable to the County government for ensuring that the hospital complies with the law and the highest standards of best practices corporate governance and ethics. The Members of the Board are committed to fostering a culture that values ethical behaviour, integrity and respect and the need to conduct business and operations of the hospital in accordance with generally accepted corporate practices. The Board Members believe that adopting and operating in accordance with high standards of corporate governance is essential for sustainable long-term performance and value creation., The Board provides oversight to the Management and ensures the employees operate within the Code of Conduct and Ethics; Public Officers and Ethics

Board Size, Composition and Appointment

The MCRH Board of Management comprises of eight (8) members including the Chief Executive Officer. Six (6) members of the Board are independent non-executive including the Chairman, all drawn from the private sector. The remaining one (1) member is the area - Member of County Assembly (MCA). The Chairman of the Board and other members are appointed by H.E. the Governor. They each serve for a period of three (3) years. Names of all members and changes thereto are published in the Kenya Gazette.

i. Roles and functions of the board

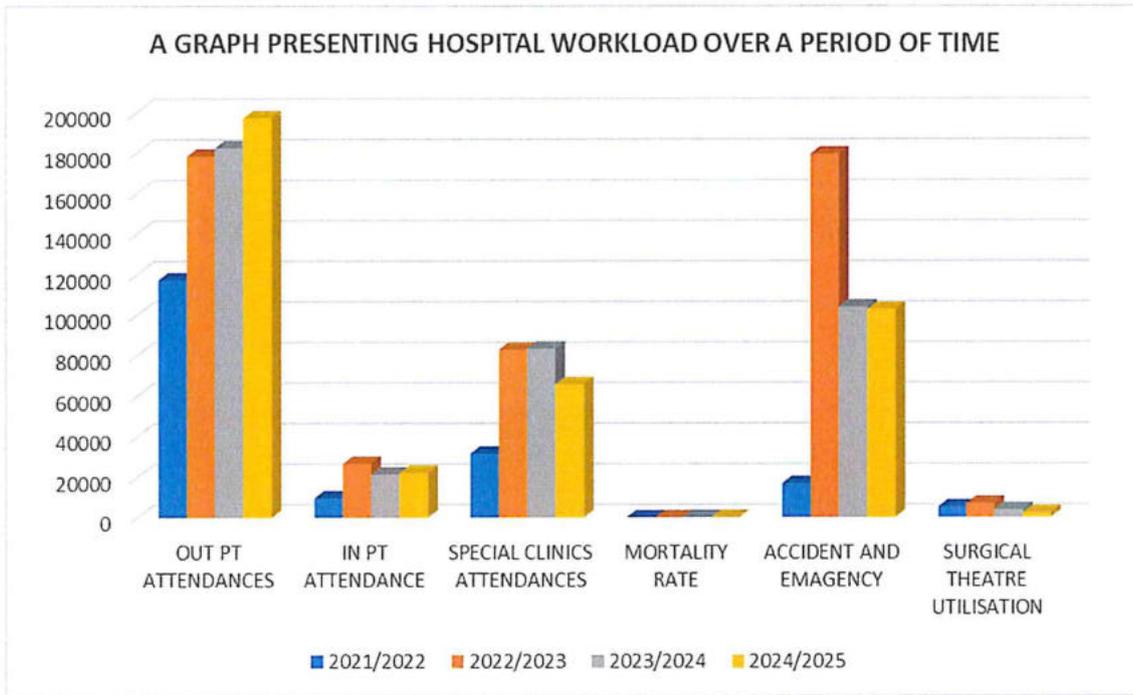
The roles and responsibilities of the Board and the Chief Executive Officer remain distinct and separate which ensures a balance of power of authority and provides for checks and balances such that no one individual has unfettered power of decision making. The Board provides oversight to the hospital's top management and has unrestricted access to timely and relevant information.

Table 1: Board membership and attendance during the year

Name of Board Member	Board Position	Date Appointed	Board Attendance
Dr. Githinji Gitahi, MBS	Chairman	28 th April, 2023	5/5 (FULL BOARD)
Hon. Davidson DNG Ngibuini	Member of County Assembly	-	21/21(FULL BOARD AND COMMITTEES)
Mr.Faiz Ochieng	Non-Executive Member	28th April, 2023	21/21(FULL BOARD AND COMMITTEES)
Ms.Edwina Auma	Non-Executive Member	28th April, 2023	13/21(FULL BOARD AND COMMITTEES)
Dr.Edinah Akinyi	Non-Executive Member	28th April, 2023	15/21(FULL BOARD AND COMMITTEES)
Mr.Joram Mwinamo	Non-Executive Member	28th April, 2023	8/21(FULL BOARD AND COMMITTEES)
Mr.Martin Kanga	Non-Executive Member	28th April, 2023	13/21(FULL BOARD AND COMMITTEES)
Dr.Irene Muchoki	Alternate to CECM-Health,Wellness and Nutrition Services	-	6/6(FULL BOARD AND COMMITTEES)
Dr. Alexander Irungu, PhD	Secretary to the Board	-	21/21(FULL BOARD AND COMMITTEES)

9. Management Discussion and Analysis

Clinical/Operational performance



DEPARTMENTS	2021/2022	2022/2023	2023/2024	2024/2025
BED CAPACITY	416	416	416	416
OUT PT ATTENDANCES	117,192.00	178,139.00	182,305.00	197,004.00
IN PT ATTENDANCE	9,694.00	26,583.00	21,339.00	22,147.00
SPECIAL CLINICS ATTENDANCE	31,612.00	82,789.00	83,340.00	65,684.00
ALOS	3.5 DAYS	3.6 DAYS	4 DAYS	7 DAYS
BED OCCUPANCY RATE	1.40	1.60	1.54	1.50
MORTALITY RATE	0.05	0.04	0.03	0.06
ACCIDENT AND EMAGENCY	16,840.00	179,239.00	103,823.00	102,542.00
SURGICAL THEATRE UTILISATION	5,102.00	6,852.00	3,745.00	2,228.00

NOTE:

Mortality rate have increased from 0.03 to 0.06 percent, this was due to industrial action by medical and clinical staff in the current year of review.

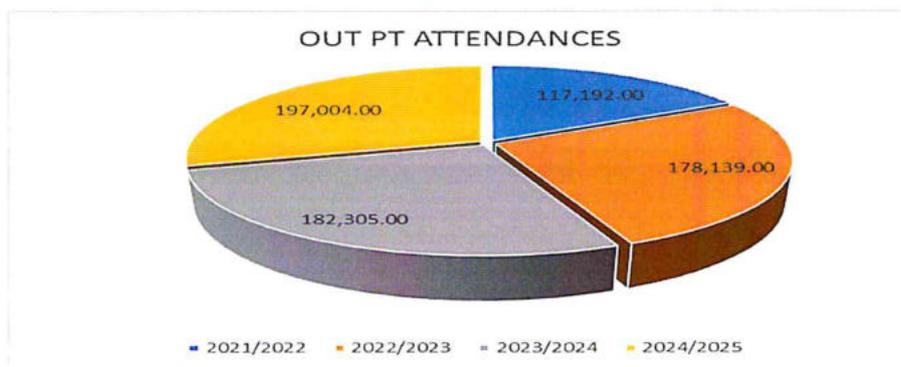
The bed occupancy rate exceeds 100% because the workload is high as most of the patient are sharing beds.

The average length of stay (ALOS) is gradually increasing as some patient stays for long period due to critical condition and also the frequent industrial action by medical and clinical staff.

The gradually increase and decrease of patients in some month due to health workers strike has introduce to the inconsistency of hospital workload.

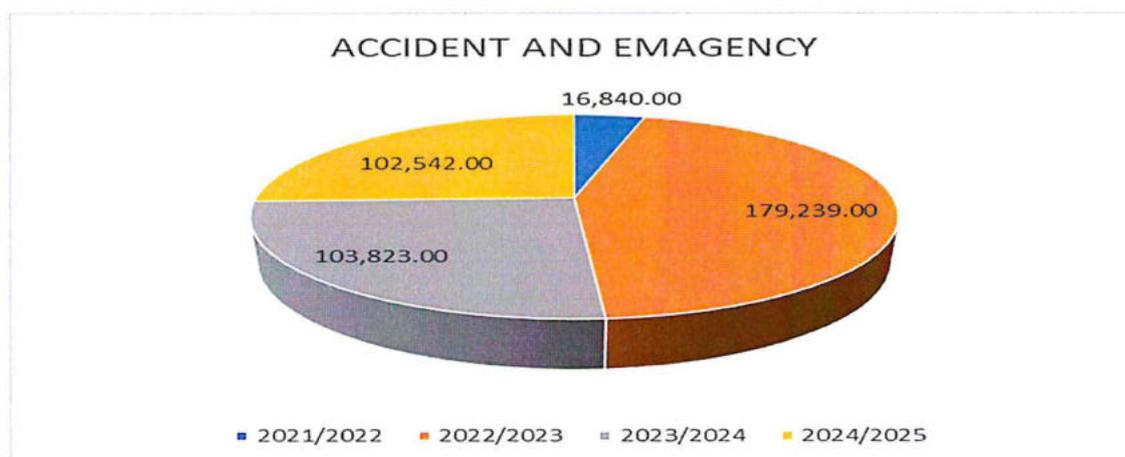
➤ **Overall patient attendance during the year for outpatient.**

YEARS	2021/2022	2022/2023	2023/2024	2024/2025
OUT PT ATTENDANCES	117,192.00	178,139.00	182,305.00	197,004.00



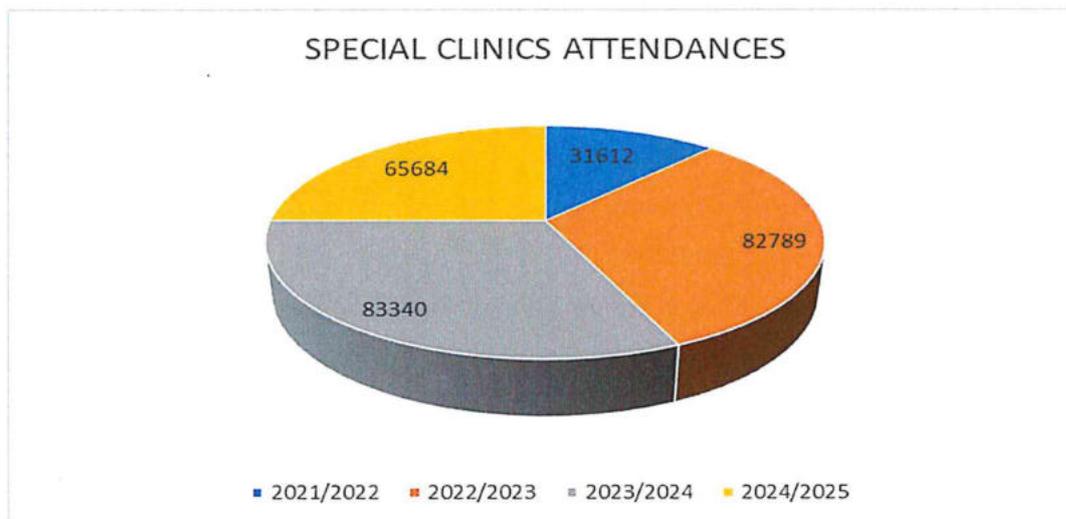
➤ **Accident and Emergency attendance**

YEAR	2021/2022	2022/2023	2023/2024	2024/2025
ACCIDENT AND EMAGENCY	16,840.00	179,239.00	103,823.00	102,542.00



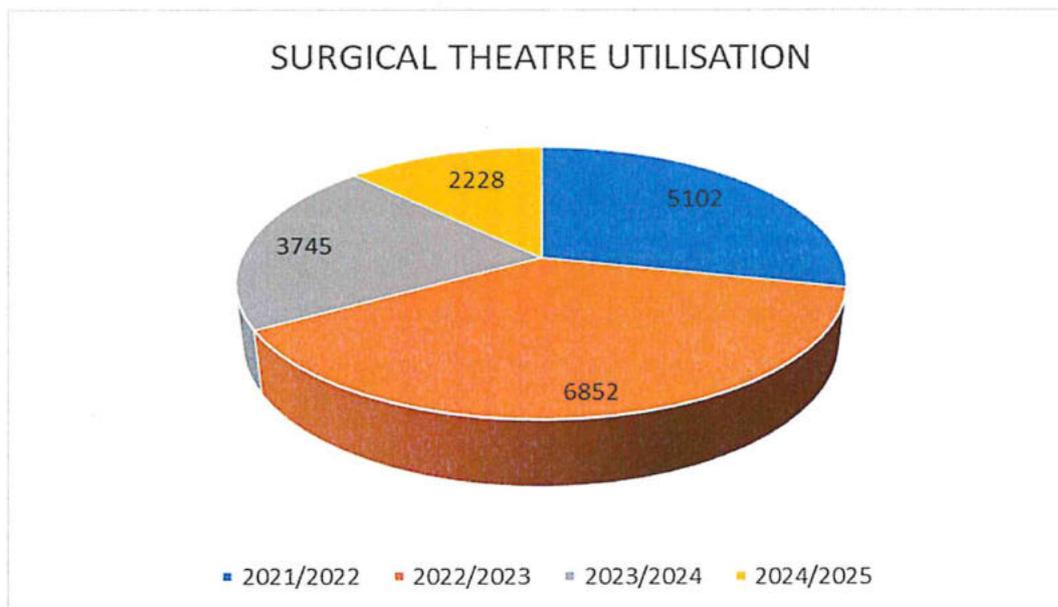
➤ **Specialised clinic attendance**

YEAR	2021/2022	2022/2023	2023/2024	2024/2025
SPECIAL CLINICS ATTENDANCES	31612	82789	83340	65684



➤ **Surgical theatre utilisation (number of operations over a period of time)**

YEAR	2021/2022	2022/2023	2023/2024	2024/2025
SURGICAL THEATRE UTILISATION	5102	6852	3745	2228



10. Environmental And Sustainability Reporting

i) Sustainability strategy and profile

Mbagathi County Referral Hospital and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its investments and resource mobilization and financing capabilities with an objective of ensuring that Mbagathi County Referral Hospital going concern is secured. The hospital has reviewed its current resource mobilization strategies and proposed feasible sustainability financing options which include:

- Expanding the scope of services
- Public private partnership (PPP)
- Enhancing client satisfaction through quality service care
- Lobbying for engagement with insurance firms.

ii) Environmental performance

The organization is using National Environment Policy 2013 which proposes broad range of measures and actions responding to key environmental issues and challenges.

The main aim of the policy is betterment of quality of life for future and present generations.

The policy also recognizes the importance of biodiversity.

The organization has used the policy to reduce negative environmental impacts to communities within and around the hospital. This has been achieved through;

- Proper healthcare waste management
- Acquiring new waste management equipment e.g. waste sterilization equipment
- Training and continuous re-sensitization of healthcare workers on waste management
- Forming of disaster management committee which is multi-disciplinary
- Conducting environmental impact assessment before commencement of any project
- Automation of the hospital operations i.e., update and review of HMIS modes
- Provision of bins for segregation of waste in the compound.

Occupational Safety and Health

The Occupational Safety and Health Act, 2007 provides for the safety, health and welfare of workers and all persons present at work places to provide for the establishment of the National Council for Occupational Safety and Health.

Mbagathi County Referral Hospital has done the following to improve on the safety, health and welfare of workers and all persons present at work place that is Registration of the hospital as a work place.

- WIBA registration which provides for compensation to hospital workers for any work-related injuries and occupational diseases contracted in the course of their employment
- Well displayed OSHA abstract
- Provision and installation of firefighting equipment
- Conduct periodic risk assessment
- Conduct periodic fire Audits
- Formation of Occupational Safety and Health committee
- Continuous sensitization on occupational safety and health
- Conduct annual fire drills

iii) Employee welfare

The hiring process is the mandate of the County Public Service Board reference made from the public service commission Human Resource Manual Procedures May 2016, mentioned in section B which provides the rules governing recruitment and appointment of new officers. The Human Resource Manual procedures also provide for guidelines and standards for the prevention and protection of officer against accidents and occupational hazards arising at the work place. It provides for guidelines, procedures and modalities for the administration and payment of compensation for work related injuries and accidents contracted while and in the course of duty.

iv) Market place practices-

a) Responsible competition practice.

This is effectively done through use of Hospital Hot line and service Charter information which is displayed on all strategic places in the Hospital which clients can access and call when need be or for inquiries.

Anti-Corruption committee of the hospital conduct sensitization of our clients/patients on a continuous basis. Anti-Corruption/Suggestion boxes are strategically placed in the hospital.

The patients' charges are derived from the County Finance Act 2023 and for National insured clients are derived from the Social Health Authority Contract with the hospital. The patient's mode of payment is through the hospital's Paybill number, no cash transaction is allowed in the hospital.

b) Responsible Supply chain and supplier relations

The Hospital ensures best involvement of suppliers in the tendering process and feedback given to suppliers in time as per the Public Procurement and Asset Disposal Act, 2015.

we are also focused on ensuring our suppliers comply with best practice and adhere to our contract agreement for all services and goods offered.

c) Responsible marketing and advertisement or Responsible engagement with citizens

Engaging with citizen informs our decision making, strengthens our relationships and helps us deliver our commitments and succeed as a service provider. In order to achieve these goals, we recognize that we must work in partnership with other interested stakeholders who share our commitment and have a stake in our mission. We actively engage with Government, regulators, customers, suppliers, investors and individual citizens to create an environment that is supportive of solutions.

d) Product stewardship or Awareness Creation

Corporate Communication and Marketing Policy is the Hospital's blueprint that set direction and describes processes for creating, communicating, and delivering information to customers and managing customer relationships for the benefit of stakeholders. While the Hospital recognizes that communication is of importance in leveraging corporate image, privacy, health and well-being of patients and their families, staff, volunteers take precedence over obligations to the media and the public. Considering the need to strategically manage media relationship, facilitate effective internal communication and promote the Hospital services, the staffs adhere to this Policy when interacting with members of the public or the media. This is the first important step towards forging a positive and integrated relationship with clients and stakeholders.

v) Corporate Social Responsibility / Community Engagements

The commitment of MCRH to social responsibility and the pursuit of societal good through inclusive healthcare inspired us towards fulfilling public healthcare needs. We focus on bringing quality healthcare within the reach of all people regardless of their geographic location or economic status. MCRH aspires to be a socially responsible corporate citizen delivering superior and sustainable value to all.

MCRH Corporate Social Responsibility initiatives express our commitment and concern to the welfare of our employees and the patients we serve. These initiatives focus on community development and health, human rights, empowering people through education and dissemination of information. The main activities undertaken during the year herein outlined below:

Mbagathi Maternity Open Day



Figure i



Figure ii

Mbagathi Hospital was grateful to everyone who turned up to support quality maternal care.

Nurses Week celebration at Mbagathi Hospital.



Figure iii

The great nurses renewed their noble pledge with exemplary covenant to continue service to humanity and make Nairobi work. The County Chief Nurse Madam Soi, CEO Pumwani Hospital Christine Kiteshuo, CEO Mutuini Mr Fred Obwanda and Dr Oda, Head of Primary Healthcare, Madam Felister Musyoka graced the occasion alongside distinguished nursing staff of the County



Figure iv

Observance of World handwashing Day



Figure v

11. Report of The Board of Management

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

Principal activities

The principal activities are to offer 24-hour services which include; Medical, Surgical, Rehabilitative and Diagnostic and Mortuary services.

Results

The results of the entity for the year ended June 30th 2025 are set out on pages 1 to 10

Board of Management

The members of the Board who served during the year are shown on pages vii to ix. During the year, no Board member retired/ resigned, and none was appointed

Auditors

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

By Order of the Board



.....
Name: Dr. Alexander Irungu, PhD

Secretary to the Board

12. Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012 (*entities should quote the applicable legislation under which they are regulated*) requires the Board of Management to prepare financial statements in respect of that MCRH, which give a true and fair view of the state of affairs of the MCRH at the end of the financial year/period and the operating results of the MCRH for that year/period. The Board of Management is also required to ensure that the MCRH keeps proper accounting records which disclose with reasonable accuracy the financial position of the MCRH. The council members are also responsible for safeguarding the assets of the MCRH.

The Board of Management is responsible for the preparation and presentation of the MCRH financial statements, which give a true and fair view of the state of affairs of the MCRH for and as at the end of the financial year 2024/25 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 MCRH; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

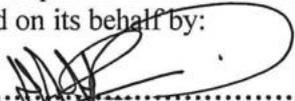
The Board of Management accepts responsibility for the MCRH financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (*– entities should quote applicable legislation as indicated under*). The Board members are of the opinion that the *entity's* financial statements give a true and fair view of the state of MCRH transactions during the financial year ended June 30, 2025, and of the entity's financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the MCRH, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern (*disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements*) OR

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

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 28/11/2025 and signed on its behalf by:


.....
Name: **Dr. Githinji Gitahi, MBS**

Chairperson
Board of Management


.....
Name: **Dr. Alexander Irungu, PhD**

Accounting Officer

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MBAGATHI COUNTY REFERRAL HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 - NAIROBI CITY COUNTY GOVERNMENT

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Mbagathi County Referral Hospital – Nairobi City County Government set out on pages 1 to 57, which comprise of

the statement of financial position as at 30 June, 2025, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Mbagathi County Referral Hospital 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 Health Act, 2017 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Long Outstanding Receivables

The statement of financial position reflects receivables from exchange transactions balance of Kshs.432,469,437 as disclosed in Note 29 to the statement of financial statements. The balance includes medical services receivables due from the defunct National Hospital Insurance Fund (NHIF) amount of Kshs.279,576,802 which has been outstanding for more than one (1) year.

Further, debts totalling Kshs.4,141,933 have been outstanding for over three (3) while those between two to three years amounted to Kshs.132,566,876. There was no evidence of efforts made by Management to recover the debts.

In addition, included in the receivables is Kshs.12,374,593 from prisons. These were medical services offered on credit to patients from Kenya prisons but no payment was made for the last one year. Further, the Management did not have a formal agreement with Kenya Prisons stating the terms of engagement. Management has not made a provision for bad and doubtful debts in the financial statements.

In the circumstance, the accuracy, completeness and recoverability of the receivables from exchange transactions balance of Kshs.416,285,611 could not be confirmed.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Mbagathi County Referral Hospital Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final budget amount of Kshs.527,804,216 against actual receipt on comparable basis of Kshs.452,362,813 resulting in an under funding of Kshs.75,441,404 or 14% of the budget. Similarly, the Hospital spent Kshs.539,765,396 against actual receipts of Kshs.452,362,813 resulting in over-expenditure of Kshs.87,402,583 or 19% of the actual receipts. The approval for the over expenditure was not provided for audit.

Further, no budget estimates were prepared for miscellaneous receipts of Kshs.12,853,604. As a result, these receipts were not aligned to any approved budget provisions.

The underfunding affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the effects of the matter described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Audit Matters

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

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

	Financial Year	Audit Issue
1	2023/2024	Inaccuracies in the Financial Statements
2	2023/2024	Insufficient Asset Disclosure and Valuation
3	2023/2024	Inaccuracies in Cash and Cash Equivalents Balance
4	2023/2024	Unsupported Balances
5	2023/2024	Long Outstanding Trade Payables
6	2023/2024	Presentation and Disclosure of Financial Statements
7	2023/2024	Congestion in the Hospital's Wards
8	2023/2024	Irregular Engagement of Casual Employees

	Financial Year	Audit Issue
9	2023/2024	Misclassification of Expenditure
10	2023/2024	Supply of Fuel Without a Valid Contract
11	2023/2024	Uncertainty in Management of Drugs at Point of Expiry
12	2023/2024	Failure to Comply with Provisions of the Law on Prequalification
13	2023/2024	Facility Check List Variances
14	2023/2024	Unlawful Payment of Committee Allowances
15	2023/2024	Failure to tag equipment

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, except for the effect of the matters described on the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Deficiencies in Implementation of Universal Health Coverage (UHC)

Review of Referral Hospital staffing records and physical inspection revealed that the Hospital did not meet the minimum requirements prescribed under the Kenya Quality

Model for Health (KQMH). The Hospital has two hundred and twenty-five (225) staff members against the required three hundred and twenty-three (323) resulting in a staff shortage of ninety-eight (98) personnel, representing 30% of the authorized establishment as detailed in the attached **Appendix I**.

In the circumstances, Management was in breach of the Health Act, 2017, and the Kenya Quality Model for Health standards due to failure to maintain the minimum staffing levels and critical care capacity required could not be confirmed.

2. Engagement of Casual Employees Without Contracts

The statement of financial performance reflects employee costs of Kshs.56,409,412 which includes Kshs. 20,360,655 relating to payments made to casual employees. Audit review of seventy (70) sampled casual employees out of an average of eighty-seven (87) casuals per month revealed that only five (5) casual employees had binding employment contracts covering the full period of engagement while twenty-two (22) casual employees had contracts covering only a portion of the period engaged and forty-three (43) casual employees had no binding employment contracts for the entire period employed.

This was contrary to Section 10(1) of the Employment Act, 2007 requires that employees engaged for a period exceeding three (3) months be provided with written contracts specifying the terms and conditions of service.

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

3. Cash Payment to Board Members

Review of Board Members expenses revealed that their allowances were paid in cash through the issuance of an imprest warrant to an employee, who then made subsequent cash payments to the Board Members. The Hospital did not process the payments directly to the individual bank accounts of the Board Members as required for transparency and accountability. No justification was provided to explain why cash payments were preferred over direct bank transfers. This was contrary to Regulation 91 of the Public Finance Management (County Governments) Regulations, 2015 states that (1) for the purposes of this subpart, an imprest is a form of cash advance or a float which the Accounting Officer may authorize to be issued to officers who in the course of duty are required to make payments which cannot conveniently be made through the cash office of a government entity or bank account.

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

4. Failure to Open a Facility Improvement Fund Bank Account

The statement of financial position reflects cash and cash equivalents balance of Kshs.25,237,122 as disclosed in Note 27 to the financial statements. Review of accounts documents revealed that revenue is collected using M-Pesa paybill number which is automatically transferred to the Hospital's current account. However, the Hospital did not open a Facility Improvement Fund (FIF) account as provided in the Facility Improvement

Fund Act, 2023, rather the collection account is still the operation account. This was contrary to Section 6 of the Facilities Improvement Financing Act, 2023 which states that, (2) There shall be opened a facility improvement financing account for each public health facility into which shall be paid all monies received by or on behalf of all public health facilities.

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

5. Long Outstanding Trade and Other Payables

The statement of financial position and Note 36 to the financial statements reflects trade payables amounting to Kshs.485,952,033. Review of supporting documents and the ageing analysis provided for audit revealed that payables totalling Kshs.1,149,500 have remained outstanding for years dating back as far as year 2013 and these historical payables continue to be carried forward each year without settlement. Management did not provide explanations or justifications for the prolonged non-settlement of these obligations.

This was contrary to the provisions of Section 53 (8) of the Public Procurement and Asset Disposal Act, 2015 which states that 'an Accounting Officer shall not commence any procurement proceedings until satisfied that sufficient funds to meet the obligations of the resulting contract (s) are reflected in approved budget estimates.

In the circumstances, the Hospital Management was in breach of the law and there is risk of loss of public funds through litigations, interests and penalties.

6. Non-Compliance with Public Procurement Capacity Building Levy

The Hospital did not comply with the requirements of Legal Notice No.206 of 2023 (The Public Procurement Capacity Building Levy Order, 2023) during the financial year 2024-2025. The Hospital did not deduct the mandatory levy of 0.03% from all contracts signed after 1st September, 2024. Additionally, a summary of contracts signed after 1st September was not provided for audit review.

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

7. Incomplete and Stalled Construction of the Medical Block

As per the project information board, contract number NMS/RT/017/2020-2021 was awarded to a construction company. Management did not provide for audit documents pertaining to the project. Physical inspection of the medical block construction project at Mbagathi Hospital. In November, 2025 and implemented by Nairobi Metropolitan Services, revealed that the project remains incomplete and stalled.

The Chairman's statement on future outlook states that he completion of the stalled medical block was to create more space for the ever-increasing number of patients' However, no information was provided for audit to confirm what efforts the Management is undertaking to ensure project completion.

In the circumstances, proper monitoring of the project and value for money on funds already paid towards the project could not be confirmed.

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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of a Credit Policy

The statement of financial position reflects receivables from exchange transactions amount of Kshs.432,469,437. The Referral Hospital offers medical services on credit to patients and mothers who delivered at the facility without paying. The Hospital does not have a credit policy in place to guide on the terms of engagement.

In the circumstances, the full recovery of debts and issuance of credit facilities not guided by any policy could not be confirmed.

2. Weak ICT Control Environment

The Hospital does not have in place an ICT Strategic Committee, ICT Strategic Plan, and a comprehensive ICT Policy. Further, the Hospital does not have a disaster recovery plan which would be useful in restoring operations in case of any emergencies and disasters. In the circumstances, effective ICT control environment and capacity to recover data in case of a disaster could not be confirmed.

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

Responsibilities of the Management and Board of Management

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 Hospital'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.

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

17 December, 2025

Appendix I

Implementation of Universal Health Coverage (UHC)

	Criteria	Minimum Level 5 Requirement	In Place	Variance
1	Staffing Requirement			
	Total	323	225	98
	Medical Officers	50	35	15
	Anesthesiologists	7	3	4
	General Surgeons	4	3	1
	Gynecologists	4	11	-7
	Pediatricians	4	7	-3
	Radiologists	4	4	0
	Nursing Officers	250	162	88
2	Services Offered			
	Surgical Services	√	√	
	Pediatric Services	√	√	
	Gynecology Services	√	√	
	Radiology Services	√	√	
	Renal/ Dialysis Services	√	√	
	Tuberculosis Services	√	√	
3	Bed Capacity	500	416	84
4	Equipment & Machines			
	Incubators in the New Born Unit	10	23	
	N - HDU (warmers) in the New Born Unit	10	3	7
	N ICU Warmers	12	4	8
	N HDU Beds	12	14	
	Renal Units with Dialysis Machines	5	5	
	Functional Operating Theatres Maternity and General wards	7	4	3
5	Ambulances		1 Belongs to the county	
6	Governance by Hospital Management Teams			
	Validity of the Team Present		√	
	Regular Meeting		√	
	Qualified Members		√	
7	Policy Documents e.g., Risk Management Policy		None	
8	Audit Committee & Internal Audit		√	

	Criteria	Minimum Level 5 Requirement	In Place	Variance
9	Asset Management			
	Land Size	10 acres	Not provided	
	Fixed Assets Register		provided	
	Ownership Documents		provided	
	Equipment in Good Service		√	
10	Store Management			
	Expired Drugs		√	
	Adequate Storage Space		√	
	FIFO Issuance of Drugs		√	

Mbagathi County Referral Hospital (Nairobi City County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

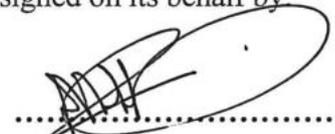
		2024/2025	2023/2024
Revenue from non-exchange transactions			
Transfers from the County Government	6	-	-
In-kind contributions from the County Government	7	-	15,422,044
Grants from donors and development partners	8	-	-
Transfers from other Government entities	9	-	-
Public contributions and donations	10	-	-
		-	15,422,044
Revenue from exchange transactions			
Rendering of services- Medical Service Income	11	608,826,132	488,264,032
Revenue from rent of facilities	12	-	-
Finance /Interest Income	13	-	-
Miscellaneous Income	14	13,295,429	-
Revenue from exchange transactions		622,121,561	488,264,032
Total revenue		622,121,561	503,686,076
Expenses			
Medical/Clinical costs	15	552,799,043	385,163,319
Employee costs	16	56,409,412	16,604,194
Board of Management Expenses	17	2,510,000	2,757,869
Depreciation and amortization expense	18	143,269,669	131,240,232
Repairs and maintenance	19	65,261,222	33,901,436
Grants and subsidies	20	-	4,894,177
General expenses	21	55,609,225	45,519,375
Finance costs	22	-	-
Total expenses		875,858,571	620,080,602
Other gains/(losses)			

Mbagathi County Referral Hospital (Nairobi City County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

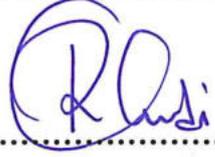
Description	Note	2024/2025	2023/2024
		Kshs	Kshs
Gain/Loss on disposal of non-Current assets	23	-	-
Unrealized gain on fair value of investments	24	-	-
Medical services contracts Gains/Losses	25	-	-
Impairment loss	26	-	-
Gain on foreign exchange transactions		-	-
Total other gains/(losses)		-	-
Net Surplus / (Deficit) for the year		(253,737,010)	(116,394,526)

(The notes set out on pages 10 to 56 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 28/11/2025 and signed on its behalf by:



Name: Dr. Gitahi Githinji
Chairman
Board of Management



Name: CPA Rodgers Modi
Head of Finance
ICPAK No:19278



Name: Dr. Alexander
Irungu, PhD
Chief Executive Officer

Mbagathi County Referral Hospital (Nairobi City County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

15. Statement of Financial Position As At 30th June 2025

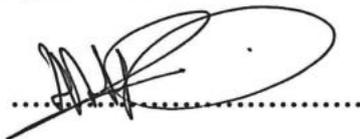
Description	Note	2024/2025	2023/2024
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	27	25,213,202	130,069,675
Prepayments	28	-	-
Receivables from exchange transactions	29	432,469,437	256,415,995
Receivables from non-exchange transactions	30	-	-
Inventories	31	79,691,007	76,515,719
Total Current Assets		537,373,646	463,001,389
Non-current assets			
Property, plant, and equipment	32	2,276,857,709	2,390,350,254
Intangible assets	33	294,696	593,482
Investment property	34	-	-
Biological Assets	35		
Total Non-current Assets		2,277,152,405	2,390,943,736
Total assets (A)		2,814,526,051	2,853,945,125
Liabilities			
Current liabilities			
Trade and other payables	36	485,952,033	280,746,140
Refundable deposits from Patients/Prepayments	37	-	-
Provisions	38	-	-
Finance lease obligation	39	-	-
Current portion of deferred income	40	-	-
Current portion of borrowings	41	-	-
Total Current Liabilities		485,952,033	280,746,140
Non-current liabilities			
Provisions	38	-	-
Non-Current Finance lease obligation	39	-	-
Non-Current portion of deferred income	40	-	-
Non - Current portion of borrowings	41	-	-

Mbagathi County Referral Hospital (Nairobi City County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Description	Note	2024/2025	2023/2024
		Kshs	Kshs
Service concession Arrangements	42	-	-
Total non-current liabilities		-	-
Total Liabilities (B)		485,952,033	280,746,140
Net assets (A-B)		2,328,574,018	2,573,198,985
Represented by:			
Revaluation reserve		-	-
Accumulated surplus/Deficit		(346,713,976)	(102,089,010)
Capital Fund		2,675,287,994	2,675,287,994
Net Assets		2,328,574,018	2,573,198,984

(The notes on pages 10 to 56 form an integral part of the Annual Financial Statements.)

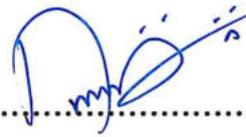
The Hospital's financial statements were approved by the Board on 28/11/2025 and signed on its behalf by:



Name: Dr. Gitahi Githinji
Chairman
Board of Management



Name: CPA Rodgers Modi
Head of Finance
ICPAK No:19278



Name: Dr. Alexander Irungu, PhD
Chief Executive Officer

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2023	-	14,305,515	2,675,287,994	2,689,593,509
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	(116,394,525)	-	(116,394,525)
Capital/Development grants	-	-	-	-
As at June 30, 2024	-	(102,089,010)	2,675,287,994	2,573,198,984
At July 1, 2024	-	(102,089,010)	2,675,287,994	2,573,198,984
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	(253,737,010)	-	(253,737,010)
Prior Year Adjustment		9,112,044	-	9,112,044
Capital/Development grants	-	-	-	-
At June 30, 2025	-	(346,713,976)	2,675,287,994	2,328,574,018

(Note:

Prior Year adjustment relates to opening balance of amounts receivable from prisons which had been erroneously captured as Kshs. 1,716,632 instead of Kshs. 10,828,676.

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

Description	Note	2024/2025	2023/2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		-	-
Grants from donors and development partners		-	15,422,044
Transfers from other Government entities		-	-
Public contributions and donations		-	-
Rendering of services- Medical Service Income		439,067,384	488,264,032
Revenue from rent of facilities		-	-
Finance / interest income		-	-
Miscellaneous receipts(specify)		13,295,429	-
Total Receipts		452,362,813	503,686,076
Payments			
Medical/Clinical costs		384,849,122	385,163,319
Employee costs		54,671,869	16,604,194
Board of Management Expenses		2,510,000	2,757,869
Repairs and maintenance		55,312,292	33,901,436
Grants and subsidies		-	4,894,177
General expenses		42,422,113	45,519,375
Finance costs		-	-
Refunds paid out		-	-
Total Payments		539,765,396	488,840,370
Working Capital		-	59,235,180
Net cash flows from operating activities	43	(87,402,583)	74,080,887
Cash flows from investing activities			
Purchase of property, plant, equipment		(17,453,890)	(42,607,652)
Purchase of intangible assets		-	-
Proceeds from the sale of PPE		-	-
Acquisition of investments		-	-
Net cash flows used in investing activities		(17,453,890)	(42,607,652)
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-

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Capital grants received		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(104,856,473)	31,473,235
Cash and cash equivalents as at 1 July	27	130,069,675	98,596,440
Cash and cash equivalents as at 30 June	27	25,213,202	130,069,675

(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 Amount for Year Ended 30 Jun 2025

Description	Original budget a Kshs	Adjustments b Kshs	Final budget c=(a+b) Kshs	Actual on comparable basis d Kshs	Performance difference e=(c-d) Kshs	% of utilisation f=d/c%
Receipts						
Transfers from the County Government	-	-	-	-	-	-
Grants from donors and development partners	-	-	-	-	-	-
Transfers from other Government entities	-	-	-	-	-	-
Public contributions and donations	-	-	-	-	-	-
Rendering of services- Medical Service Income	527,804,216	-	527,804,216	439,067,384	88,736,833	83.19%
Revenue from rent of facilities	-	-	-	-	-	-
Finance / interest income	-	-	-	-	-	-
Miscellaneous receipts (specify)	-	-	-	13,295,429	(13,295,429)	-
Total receipts	527,804,216	-	527,804,216	452,362,813	75,441,404	85.71%
Payments						
Medical/Clinical costs	363,848,645	-	363,848,645	384,849,122	(21,000,477)	106%
Employee costs	18,623,112	-	18,623,112	54,671,869	(36,048,757)	-
Board of Directors	2,510,000	-	2,510,000	2,510,000	-	100%
Repairs and maintenance	69,259,337	-	69,259,337	55,312,292	13,947,045	79.86%
Grants and subsidies	-	-	-	-	-	-
General expenses	73,563,122	-	73,563,122	42,422,113	31,141,009	57.67%
Finance costs	-	-	-	-	-	-
Total Operational Expenditure paid	527,804,216	-	27,804,216	539,765,396	(11,961,180)	102%
Capital Expenditure paid	-	-	-	-	-	-
Surplus	-	-	-	(87,402,583)	-	-

(Budget carryovers This is for entities whose budget lapses at year-end, but the surpluses are not legally required to be remitted to the*

Exchequer. Budget carryovers should not include third-party funds such as contractors' retention.)

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(Entities can present the Statement of Comparison of Budget & Actual amounts in a different format/categorization as approved by the governing body.)

Budget notes

1. Provide an explanation of differences between actual and budgeted amounts (any over/ 90% under) 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	(87,402,583)
1	Reason for differences	75,441,404
2	Reason for differences	(11,961,180)
3	Reason for differences	-
4	Reason for differences	-
	Closing Cash and Cash Equivalent as per the statement of Cash flows	25,213,202

19. Notes to the Financial Statements

1. General Information

Mbagathi County Referral Hospital is established by and derives its authority and accountability from Medical Practitioners and Dentist Act (CAP.253) License number GK-008120. MCRH is wholly owned by the Nairobi City County Government and is domiciled in Nairobi County in Kenya. The principal activity is to offer 24-hours services which include; Medical, Surgical, Rehabilitative and Diagnostic and Mortuary Services.

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 *entity's* accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note xx The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *entity*. The financial statements have been prepared in accordance with the PFM Act, and (*include any other applicable legislation*), and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

(When an IPSAS becomes effective on 1st January 2025, it is applicable in Kenya from 1st July 2025)

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	<p><i>Applicable 1st January 2025</i></p> <p>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.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>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:</p> <p>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.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 45-	<p><i>Applicable 1st January 2025</i></p>

Standard	Effective date and impact:
Property Plant and Equipment	<p>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.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 46 Measurement	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 47- Revenue	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of</p>

Standard	Effective date and impact:
	<p>revenue and cash flow arising from revenue transactions.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 48- Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 50: Exploration For & Evaluation of Mineral Resources</p>	<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ol style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. <p><i>State the expected impact of the standard to the Entity if relevant</i></p>

iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity's financial statements.)*

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

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 entity.

Interest income

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

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.

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for FY 2024/2025 was approved by Board on *quarterly bases*. 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. Accordingly, the *entity* recorded did not have additional appropriations of on the FY 2024/2025 budget following the Board's approval. The *entity'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.

c. Taxes

Sales tax/ Value Added Tax

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

- 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.
- 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.

Notes to the Financial Statements (Continued)

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. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of xxx years. 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 derecognition. Transfers are made to or from investment property only when there is a change in use.

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

Depreciation on assets is calculated on a straight-line basis to write off the cost of each asset or to their residual values over the estimated useful life. The annual rates used for each class of assets are: Buildings and Civil works 5%, Plant & Machinery 12.5% ICT Equipment 33.33% Furniture, Fittings and Office equipment 12.5%, Medical Equipment 12.5% Intangible Assets 33.33%.

Notes to the Financial Statements (Continued)

f. Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability 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 Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

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.

Notes to the Financial Statements (Continued)

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 Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- The asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- 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.

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 entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the hospital's financial statements. (amend as appropriate).*

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

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value

through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note 26*.

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:

- Raw materials: purchase cost using the weighted average cost method.
- 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 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 cost and the current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

l. Provisions

Provisions are recognized when the Entity 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 Entity 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.

Notes to the Financial Statements (Continued)

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.

p. Nature and purpose of reserves

The entity creates and maintains reserves in terms of specific requirements. *(Entity to state the reserves maintained and appropriate policies adopted.)*

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.

Notes to the Financial Statements (Continued)

r. Employee benefits

Retirement benefit plans

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

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.

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

v. Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the *Entity* 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 *Entity* also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

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

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.

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx. 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.

(Include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).

Notes to Financial Statements Continued

6. Transfers from the County Government

Description	2024/2025	2023/2024
	KShs	KShs
Unconditional grants		
Operational grant	-	-
Level 4/5 grants	-	-
Unconditional development grants	-	-
Other grants (<i>specify</i>)	-	-
	-	-
Conditional grants		
User fee forgone	-	-
Transforming health services for Universal care project (THUCP)	-	-
DANIDA	-	-
Wards Development grant	-	-
Paediatric block grant	-	-
Administration block grant	-	-
Laboratory grant	-	-
Total government grants and subsidies	-	-

6 b Transfers from The County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance* KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	Comparative Period
			KShs	KShs	KShs
xx County Government	-	-	-	-	-
Total	-	-	-	-	-

(Ensure that the amount recorded above as having been received from the County fully reconciles to the amount recorded by the amount recorded as transferred by the County. An acknowledgement note/receipt should be raised in favour of the sending County Government. The details of the reconciliation have been included under appendix xxx).

**Amount recognised in the statement of financial performance should be the recurrent grant and the development grant to the extent that there are no conditions attached. Total of column 1 should tie to note 6(the part on unconditional grants).*

Notes to Financial Statements Continued

7. In Kind Contributions from The County Government

Description	2024/2025	2023/2024
	KShs	KShs
Salaries and wages	-	-
Medical supplies-Drawings Rights (KEMSA)	-	15,422,044
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)	-	-
Utility bills	-	-
Total grants in kind	-	15,422,044

(These include payments made directly by the County Governments for staff salaries and medical drugs. These should be recorded both as income and expense for completeness of financial statements)

8. Grants From Donors and Development Partners

Description	2024/2025	2023/2024
	KShs	KShs
Cancer Centre grant- DANIDA	-	-
World Bank grants	-	-
Paediatric ward grant- JICA	-	-
Research grants	-	-
Other grants (specify)	-	-
Total grants from development partners	-	-

(Provide brief explanation for this revenue)

8 (a) Grants from donors and development partners (Classification)

Name of the Entity sending the grant	Amount recognized to Statement of financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	2023/2024
	KShs	KShs	KShs	KShs	KShs
Donor e.g., DANIDA	-	-	-	-	-
JICA	-	-	-	-	-
World Bank	-	-	-	-	-
Total	-	-	-	-	-

Notes to Financial Statements Continued

9. Transfers From Other Government Entities

Description	2024/2025	2023/2024
	KShs	KShs
Transfer from National Government (Ministry of Health)	-	-
Transfer from xxx National Hospital	-	-
Transfer from xxx Institute	-	-
Total Transfers	-	-

10. Public Contributions and Donations

Description	2024/2025	2023/2024
	KShs	KShs
Public donations	-	-
Donations from local leadership	-	-
Donations from religious institutions	-	-
Donations from other international organisations and individuals	-	-
Other donations(<i>specify</i>)	-	-
Donations in kind-amortised	-	-
Total donations and sponsorships	-	-

(Provide brief explanation for this revenue)

10 (a) Reconciliations of amortised grants

Description	2024/2025	2023/2024
	Kshs	Kshs
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Amortised and transferred to revenue	-	-
Conditions to be met – remain liabilities	-	-

Notes to Financial Statements Continued

11. Rendering of Services-Medical Service Income

Description	2024/2025	2023/2024
	Kshs	Kshs
CT SCAN	15,558,810	572,000
AMBULANCE	306,000	-
OBSTETRICS AND GYNA	270,350	-
DISABILITY	702,500	869,000
ECHO AND ECG	2,433,500	-
DENTAL	1,624,120	491,300
ENT	354,520	203,300
EYE CLINIC	531,610	4,925,716
INPATIENT	22,346,274	27,640,165
LABORATORY	42,469,740	25,786,560
MCH	196,700	1,437,330
MORTUARY	9,554,860	3,580,710
MATERNITY	16,814,187	323,500
NEW BORN UNIT	91,100	65,500
NUTRITION REGIME (INPATIENT)	1,811,250	1,312,025
OCCUPATIONAL THERAPY	985,450	552,200
ORTHOPAEDIC TRAUMA TECHNOLOGY	1,959,600	1,800,190
OUT PATIENT	5,249,160	3,748,270
CASUALTY A&E	-	1,164,000
PHARMACY	14,132,620	12,419,825
PHYSIOTHERAPY	1,687,730	683,130
PSYCHIATRY	148,500	3,400
PUBLIC HEALTH	12,600	185,900
REGISTRATION	29,977,327	26,982,745
RENAL	351,200	686,600
SPEECH THERAPY	30,400	-
Special Account	-	2,877,770
SPECIAL CLINICS	4,562,350	3,756,480
STAFF CLINIC	4,337,450	3,067,800
THEATRE	4,599,010	5,409,370
TUMAINI CLINIC	600	-
ULTRA SOUND	18,973,535	15,092,280
WARD ONE	-	707,942
WATER REFIL	-	4,800

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X-RAY	11,091,900	8,317,715
Cheques/ Other EFT	-	4,922,390
MAKL	832,850	-
NCKK	2,116,655	134,385
NHIF/SHA- NICU	20,733,210	-
NYS	1,333,185	-
PRISONS	1,545,917	1,716,632
NHIF LINDA MAMA	16,630,000	126,829,043
NHIF DELIVERY	8,455,000	22,462,960
NHIF INPATIENT	19,704,023	66,903,623
NHIF- SURGICAL	6,184,500	30,214,800
NHIF CAPITATION	24,482,500	48,556,080
NHIF RENAL	6,194,000	27,645,000
NHIIF (EDU AFYA/FFS)	241,573	4,211,596
SHA- INPATIENT	108,690,420	-
SHA- SURGICAL	70,060,360	-
SHA- MATERNITY	88,117,386	-
SHA- CTSCAN/ECHO	1,190,900	-
SHA- RENAL	19,148,700	-
Total revenue from the rendering of services	608,826,132	488,264,032

(Other medical services fee relates to other charges not listed above and should be specified)

Notes to the Financial Statements (Continued)

12. Revenue From Rent of Facilities

Description	2024/2025	Insert Comparative FY
	Kshs	Kshs
Residential property	-	-
Commercial property	-	-
Total Revenue from rent of facilities	-	-

(Provide brief explanation for this revenue)

13. Finance /Interest Income

Description	2024/2025	Insert Comparative FY
	Kshs	Kshs
Interest income from Cash investments and fixed deposits	-	-
Interest income from short- term/ current deposits	-	-
Interest income from Treasury Bills	-	-
Interest income from Treasury Bonds	-	-
Interest from outstanding debtors	-	-
Total finance income	-	-

(Provide brief explanation for this revenue)

14. Miscellaneous Income

Description	2024/2025	2023/2024
	KShs	KShs
Insurance recoveries	-	-
Income from sale of tender	-	-
Services concession income	-	-
Sale of goods (water, publications, containers etc)	-	-
Write backs (Deposits, payments in advance etc)	-	-
Parking Fee	441,825	-
Ground rates Income	200,000	-
Student Attachment fee	12,653,604	-
Total Miscellaneous income	13,295,429	-

(NB: All income should be classified as far as possible in the relevant classes and miscellaneous income should be used to recognise income not elsewhere classified).

Notes to the Financial Statements (Continued)

15. Medical/ Clinical Costs

Description	2024/2025	2023/2024
	Kshs	Kshs
Medical Drugs	59,922,008	76,599,442
Laboratory chemicals and reagents	64,036,783	49,534,031
Public health activities	-	-
Food and Ration	144,754,035	75,470,826
Uniform, clothing, and linen	8,230,680	3,650,030
Dressing and Non-Pharmaceuticals	170,436,894	84,175,630
Pharmaceutical supplies	-	-
Health information stationery	6,520,200	19,944,490
Reproductive health materials	-	-
Contracted Cleaning Service	25,814,684	27,827,047
Sanitary and cleansing Materials	5,423,754	8,868,130
Other Fuels-cooking gas	10,380,000	8,285,400
Purchase of Medical gases	22,316,984	16,149,362
X-Ray/Radiology supplies	34,963,021	15,358,930
Other medical related clinical costs (specify)	-	-
Total medical/ clinical costs	552,799,043	385,863,319

(Other medical/clinical related costs refers to all other costs involved in management of the patients directly not analysed above.)

16. Employee Costs

Description	2024/2025	2023/2024
	Kshs	Kshs
Salaries, wages, and allowances	56,409,412	16,604,194
Contributions to pension schemes	-	-
Service gratuity	-	-
Performance and other bonuses	-	-
Staff medical expenses and Insurance cover	-	-
Group personal accident insurance and WIBA	-	-
Social contribution	-	-
Other employee costs (specify)	-	-
Employee costs	56,409,412	16,604,194

(Social contribution relates to expenses incurred by the employer towards social welfare of Employees)

Notes to the Financial Statements (Continued)

17. Board of Management Expenses

Description	2024/2025	2023/2024
	Kshs	Kshs
Chairman's Honoraria	-	-
Sitting allowance	2,510,000	2,757,869
Mileage	-	-
Insurance expenses	-	-
Induction and training	-	-
Travel and accommodation allowance	-	-
Airtime allowances	-	-
Total	2,510,000	2,757,869

18. Depreciation and Amortization Expense

Description	2024/2025	2023/2024
	Kshs	Kshs
Property, plant and equipment	142,970,883	130,943,936
Intangible assets	298,786	296,296
Investment property carried at cost	-	-
Total depreciation and amortization	143,269,669	131,240,232

19. Repairs And Maintenance

Description	2024/2025	2023/2024
	Kshs	Kshs
Property- Buildings	11,333,939	10,242,827
Medical equipment	32,408,925	5,416,079
Office equipment	-	-
Furniture and fittings	5,693,733	5,597,695
Computers and accessories	15,824,625	12,644,835
Motor vehicle expenses	-	-
Maintenance of civil works	-	-
Total repairs and maintenance	65,261,222	33,901,436.00

Notes to the Financial Statements (Continued)

20. Grants And Subsidies

Description	2024/2025	2023/2024
	Kshs	Kshs
Community development and social work	-	-
Education initiatives and programs	-	-
Free/ subsidised medical camp	-	-
Disability programs	-	-
Free cancer screening	-	-
Social benefit expenses	-	-
Other grants and subsidies(<i>specify</i>)	-	4,894,177
Total grants and subsidies	-	4,894,177

Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42.

21. General Expenses

Description	2024/2025	2023/2024
	Kshs	Kshs
Advertising and publicity expenses	-	-
Catering expenses	9,475,145	4,791,313
Waste management expenses	-	3,349,950
Insecticides and rodenticides	-	-
Audit fees	-	-
Bank charges	192,047	168,256
Conferences and delegations	-	-
Consultancy fees	-	-
Contracted services	-	21,468,982
Electricity expenses	-	-
Fuel and Lubricants	7,397,167	4,548,895
Insurance	-	-
Research and development expenses	-	-
Travel and accommodation allowance	6,889,530	3,851,790
Legal expenses	-	-
Licenses and permits	-	-
Courier and postal services	-	-
Printing and stationery	-	-
Hire charges	-	-
Rent expenses	-	-

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Description	2024/2025	2023/2024
	Kshs	Kshs
Water and sewerage costs	-	-
Skills development levies	-	-
Telephone and mobile phone services	1,325,960	1,260,319
Internet expenses	-	-
Staff training and development	5,548,426	2,655,170
Subscriptions to professional bodies	-	-
Purchase of Office Stationery	24,780,950	3,424,700
Parking charges	-	-
Total General Expenses	55,609,225	45,519,375

22. Finance Costs

Description	2024/2025	2023/2024
	KShs	KShs
Borrowings (amortized cost) *	-	-
Finance leases (amortized cost)	-	-
Interest on Bank overdrafts/Guarantees	-	-
Interest on loans from commercial banks	-	-
Total finance costs	-	-

(Borrowing costs that relate to interest expense on acquisition of non-current assets and do not qualify for Capitalisation as per IPSAS 5: on borrowing costs should be included under this note.)

23. Gain/Loss on Disposal of Non-Current Assets

Description	2024/2025	2023/2024
	KShs	KShs
Property, plant, and equipment	-	-
Intangible assets	-	-
Other assets not capitalised (<i>specify</i>)	-	-
Total gain on sale of assets	-	-

24. Unrealized Gain On Fair Value Investments

Description	2024/2025	2023/2024
	KShs	KShs
Investments at fair value	-	-
Total gain	-	-

Notes to the Financial Statements (Continued)

25. Medical Services Contracts Gains /Losses

Description	2024/2025	2023/2024
	KShs	KShs
Comprehensive care contracts with NHIF/SHA	-	-
Non- Comprehensive contracts care with NHIF/SHA	-	-
Linda Mama Program	-	-
Waivers and Exemptions	-	-
Total Gain/Loss	-	-

26. Impairment Loss

Description	2024/2025	2023/2024
	KShs	KShs
Property, plant, and equipment	-	-
Intangible assets	-	-
Investments	-	-
Total impairment loss	-	-

27. Cash And Cash Equivalents

Description	2024/2025	2023/2024
	KShs	KShs
Current accounts	24,142,375	130,069,675
On - call deposits	-	-
Fixed deposits accounts	-	-
Cash in hand	286,350	-
Others(specify)- Mobile money	784,476	-
Total cash and cash equivalents	25,213,201	130,069,675

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

Notes to the Financial Statements (Continued)

27 (a). Detailed Analysis of Cash and Cash Equivalents

Description		2024/2025	2023/2024
Financial institution	Account number	KShs	KShs
a) Current account			
National Bank of Kenya	7700009783	24,142,375	129,337,350
Sub- total		24,142,375	129,337,350
b) On - call deposits			
Sub- total		-	-
c) Others			
Cash in hand		286,350	286,350
Mobile Money		784,476	448,975
Sub- total		1,070,826	735,325
Grand total		25,213,201	130,072,675

Provide disclosure on any restricted cash that the entity is holding.

28. Prepayments

Description	2024/2025	2023/2024
	Kshs	Kshs
Insurance	-	-
Rent	-	-
Water	-	-
Internet	-	-
Others specify	-	-
Total	-	-

29. Receivables From Exchange Transactions

Description	2024/2025	2023/2024
	KShs	KShs
Medical services receivables-NHIF	279,576,802	254,564,978
Medical services receivables-SHA	129,865,103	-
Medical services receivables-Prisons	12,374,593	1,716,632
Medical services receivable- NCKK	114,890	134,385
Medical services receivables- NYS	395,081	-
Medical services receivables-NICU	9,037,220	-
Medical services receivables-MAKL	747,810	-
Prepayments	357,938	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
Total receivables	432,469,437	256,415,995

(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.)

Analysis of Receivables From Exchange Transactions

Description	2024/2025		2023/2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	158,038,563	36.49%	126,246,017	49.23%
Between 1- 2 years	137,722,065	31.88%	128,453,346	50.09%
Between 2-3 years	132,566,876	30.68%	1,716,632	.68%
Over 3 years	4,141,933	0.95%	-	-
Total (a+b)	432,469,437	100%	256,415,995	100%

30. Receivables From Non-Exchange Transactions

Description	2024/2025	2023/2024
	KShs	KShs
Transfers from the County Government	-	-
Undisbursed donor funds	-	-
Other debtors (<i>non-exchange transactions</i>)	-	-
Less: impairment allowance	-	-
Total	-	-

(Undisbursed donor funds refer to funds expected where conditions for disbursements have been met by the recipient as at the reporting date)

Analysis of Receivables From Non-Exchange Transactions

Description	2024/2025		2023/2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	-	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	-	%	-	%

31. Inventories

Description	2024/2025	2023/2024
	KShs	KShs
Pharmaceutical supplies	31,074,318	38,357,923
Non-Pharmaceutical supplies	17,612,835	15,383,625
Laboratory	8,516,666	14,436,551
Food supplies	623,850	293,670
Renal	937,400	126,000
Records	4,519,700	1,808,850
Equipment	12,672,000	6,109,100
Radiology	726,900	-
Linen	2,468,180	-
House Keeping	114,800	-
Nutrition	424,358	-
Less: provision for impairment of stocks	-	-
Total	79,691,007	76,515,719

Detailed disclosure on inventories

	2024/2025	2023/2024
Opening balance	76,515,719	-
Additional Inventory in the year	485,020,076	-
Inventory expensed in the year	481,844,788	-
Write-downs in the year	-	-
Others specify	-	-
Closing balance	79,691,007	76,515,719

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Notes to the Financial Statements (Continued)

32. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Total
Rates		5%	12.50%	33.30%	12.50%	
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Cost						
At 1 July 2023	1,506,000,000	575,000,000	15,520,500	22,190,580	753,825,250	2,872,536,330
Additions	-	8,273,733	9,185,305	3,566,199	21,582,415	42,607,652
Disposals	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-
At 30th June 2024	1,506,000,000	583,273,733	24,705,805	25,756,779	775,407,665	2,915,143,982
At 1 July 2024	1,506,000,000	583,273,733	24,705,805	25,756,779	775,407,665	2,915,143,982
Additions	-	2,840,000	1,850,500	8,385,640	16,402,199	29,478,339
Disposals	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-
At 30th June 2025	1,506,000,000	586,113,733	26,556,305	34,142,419	791,809,864	2,944,622,321
Depreciation and impairment						
At July 2023	-	86,250,000	5,820,188	19,707,699	282,071,906	393,849,793
Depreciation	-	29,163,687	3,088,226	1,766,065	96,925,958	130,943,936

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Description	Land	Buildings and Civil works	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Total
Disposals	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
At 30 June 2024	-	115,413,687	8,908,414	21,473,764	378,997,864	524,793,729
At July 2024	-	115,413,687	8,908,414	21,473,764	378,997,864	524,793,729
Depreciation	-	29,305,687	3,319,538	11,369,426	98,976,233	142,970,883
Disposals	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-
At 30th June 2025	-	144,719,374	12,227,952	32,843,190	477,974,097	667,764,612
Net book values						
At 30th Jun 2024	1,506,000,000	467,860,046	15,797,391	4,283,015	396,409,801	2,390,350,253
At 30th Jun 2025	1,506,000,000	441,394,359	14,328,353	1,299,229	313,835,767	2,276,857,709

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Notes to the Financial Statements (Continued)

33. Intangible Assets-Software

Description	2024/2025	2023/2024
	KShs	KShs
Cost		
At beginning of the year	896,448	896,448
Additions	-	-
Additions-Internal development	-	-
Disposal	-	-
At end of the year	896,448	896,448
Amortization and impairment		
At beginning of the year	593,482	896,448
Amortization for the period	298,786	298,517
Impairment loss	-	-
At end of the year	294,696	593,482
NBV	294,696	593,482

34. Investment Property

Description	2024/2025	2023/2024
	KShs	KShs
At beginning of the year	-	-
Additions	-	-
Disposals during the year	-	-
Fair value gain	-	-
Depreciation (<i>where investment property is at cost</i>)	-	-
Impairment	-	-
At end of the year	-	-

(For investment property held at fair value, changes in fair value should go through the statement of financial performance. Where cost model is elected, depreciation and impairment should not be charged. Investment measured at fair value should be evaluated at the end of the reporting period for changes in fair value.). Entity should disclose the independent valuers, rental income from the investment property if any and the direct costs attributed to the investment property. Any charges on the investment property as well as any difficulty in classifying this asset as an investment property.

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Notes to the Financial Statements (Continued)

35. Biological Assets

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

36. Trade and other Payables

Description	2024/2025		2023/2024	
	KShs		KShs	
Trade payables	485,952,033		280,746,140	
Employee dues	-		-	
Third-party payments (e.g. unremitted payroll deductions)	-		-	
Audit fee	-		-	
Doctors' fee	-		-	
Total trade and other payables	485,952,033		280,746,140	
Ageing analysis:	Current FY	% of the Total	Compa rative FY	% of the total
Under one year	299,382,372	62.37%	139,206,029	49.58%
1-2 years	100,337,287	20.9%	19,025,687	6.78%
2-3 years	9,320,185	1.95%	47,483,907	16.91%
Over 3 years	70,950,913	14.78%	75,030,517	26.73%
Total	485,952,033	100%	280,746,140	100%

37. Refundable Deposits from Customers/Patients

Description	2024/2025	2023/2024
	KShs	KShs
Medical fees paid in advance	-	-
Credit facility deposit	-	-
Rent deposits	-	-
Others (specify)	-	-
Total deposits	-	-

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Ageing analysis:	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	-	%	-	%

38. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilised	-	-	-	-
Change due to discount & time value for money	-	-	-	-
Total provisions	-	-	-	-
	-	-	-	-
Current Provisions	-	-	-	-
Non-Current Provisions	-	-	-	-
Total Provisions	-	-	-	-

39. Finance Lease Obligation

Description	2024/2025	2023/2024
	Kshs	Kshs
Current Lease obligation	-	-
Long term lease obligation	-	-
Total	-	-

40. Deferred Income

Description	2024/2025	2023/2024
	KShs	KShs
Current Portion	-	-
Non-Current Portion	-	-
Total	-	-

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Notes to the Financial Statements (Continued)

40 (a) The deferred income movement is as follows:

Description	National government	International funders/ donors	Public contributions and donations	Total
Balance b/f	-	-	-	-
Additions during the year	-	-	-	-
Transfers to Capital fund	-	-	-	-
Transfers to statement of financial performance	-	-	-	-
Other transfers (<i>Specify</i>)	-	-	-	-
Balance C/F	-	-	-	-

41. Borrowings

Description	2024/2025	2023/2024
	KShs	KShs
Balance at beginning of the period	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the year	-	-
Repayments of domestic borrowings during the year	-	-
Balance at end of the period	-	-

41. (a) Breakdown of Long- and Short-Term Borrowings

Description	2024/2025	2023/2024
	KShs	KShs
Current Obligation	-	-
Non-Current Obligation	-	-
Total	-	-

(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).

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Notes to the Financial Statements (Continued)

42. Service Concession Arrangements

Description	2024/2025	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	-	-

43. Cash Generated from Operations

Description	2024/2025	2023/2024
	KShs	KShs
Surplus for the year before tax	(253,737,010)	(116,394,525)
Adjusted for:		
Depreciation	143,269,669	131,240,232
Non-cash grants received	-	-
Impairment	-	-
Gains and losses on disposal of assets	-	-
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
Working Capital adjustments		
Increase in inventory	(3,175,288)	6,053,669
Increase in receivables	(176,053,442)	-86,024,518
Increase in deferred income	-	-
Increase in payables	205,205,893	139,306,029
Prior year Adjustment	9,112,044	-
Net cash flow from operating activities	(87,402,583)	74,180,887

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

Notes to the Financial Statements (Continued)

44. 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 hospital's overall risk management programme focuses on the 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 hospital 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:

(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 hospital's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the 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
At 30 June 2024 (previous year)				
Receivables from exchange transactions	-	-	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2025(current year)				
Receivables from exchange transactions	-	-	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-

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

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Notes to the Financial Statements (Continued)

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 hospital has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk. The board of management sets the hospital'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 hospital's board of management 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 hospital under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2025	-	-	-	-
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

Notes to the Financial Statements (Continued)

(iii) Market risk

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

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 2025			
Financial assets (investments, cash, debtors)	-	-	-
Liabilities	-	-	-
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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

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Notes to the Financial Statements (Continued)

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 2025	-	-	-
Financial assets (investments, cash, debtors)	-	-	-
Liabilities	-	-	-
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

Foreign currency sensitivity analysis

The following table demonstrates the effect on the hospital's statement of financial performance 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
	Kshs	Kshs	Kshs
2024 (previous year)		-	-
Euro	10%	-	-
USD	10%	-	-
2025 (current year)		-	-
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 hospital's interest rate risk arises from bank deposits. This exposes the hospital to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the hospital's deposits.

Management of interest rate risk

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

Notes to the Financial Statements (Continued)

Sensitivity analysis

The 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. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of financial performance if current floating interest rates increase/decrease by one percentage point as a decrease/increase. A rate increase/decrease of 5% would result in a decrease/increase in surplus.

iv) Capital Risk Management

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

Description	Current Period	Comparative Period
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	-	-
Capital reserve	-	-
Total funds	-	-
	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/ <i>(excess cash and cash equivalents)</i>	-	-
Gearing	-	-

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Notes to the Financial Statements (Continued)

45. Related Party Balances

Nature of related party relationships

Entities and other parties related to the entity include those parties who have the 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.

xxx County Government is the principal shareholder of the *entity*, holding 100% of the *entity's* equity interest. The National Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external. The related parties include:

- i) The National Government;
- ii) The County Government;
- iii) Board of Directors;
- iv) Key Management

Description	2024/2025	2024/2025
	Kshs	Kshs
Transactions with related parties		
a) Services offered to related parties		
Services to --	-	-
Sales of services to --	-	-
Total	-	-
b) Grants from the Government	-	-
Grants from County Government	-	-
Grants from the National Government Entities	-	-
Donations in kind	-	-
Total	-	-
c) Expenses incurred on behalf of related party	-	-
Payments of salaries and wages for employees	-	-
Payments for goods and services	-	-
Total	-	-
d) Key management compensation		

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Description	2024/2025	2024/2025
	Kshs	Kshs
Directors' emoluments	-	-
Compensation to the medical Sup	-	-
Compensation to key management	-	-
	-	-
Total	-	-

46. Segment Information

(Where an organisation operates in different geographical regions or in departments, IPSAS 18 on segmental reporting requires an entity to present segmental information of each geographic region or department to enable users understand the entity's performance and allocation of resources to different segments)

47. Contingent Liabilities

Contingent liabilities	2024/2025	2023/2024
	Kshs	Kshs
Court case against the hospital	-	-
Bank guarantees in favour of subsidiary	-	-
Total	-	-

(Give details)

48. Capital Commitments

Capital Commitments	2024/2025	2023/2024
	Kshs	Kshs
Authorised For	-	-
Authorised And Contracted For	-	-
Total	-	-

(NB: Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. Capital commitments may be those that have been authorised by the board but at the end of the year had not been contracted or those already contracted for and ongoing)

49. Events after the Reporting Period

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

50. Ultimate and Holding Entity

The entity is a County Corporation/ or a Semi- Autonomous Government Agency under the Health Sector. Its ultimate parent is the County Government of Nairobi.

51. Currency

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

20. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

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)

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 the 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 National Treasury.



 Accounting Officer

*Mbagathi County Referral Hospital (Nairobi City County Government)
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Appendix II: Projects Implemented by The Entity

Projects

Projects implemented by the Hospital Funded by development partners

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)
1						
2						

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
1							
2							
3							

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Appendix III: Inter-Entity Confirmation Letter

Name of Transferring entity.....

Name of Beneficiary entity.....

Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30 th June (Current FY)					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
Total					

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

Head of Accounts Department - Disbursing Entity:

Name Sign Date

Head of Accounts Department - Beneficiary Entity:

Name Sign Date.....

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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		

*XX Hospital (XX County Government)
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Appendix V: Disaster Expenditure Reporting Template

Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (K.shs.)	Comments